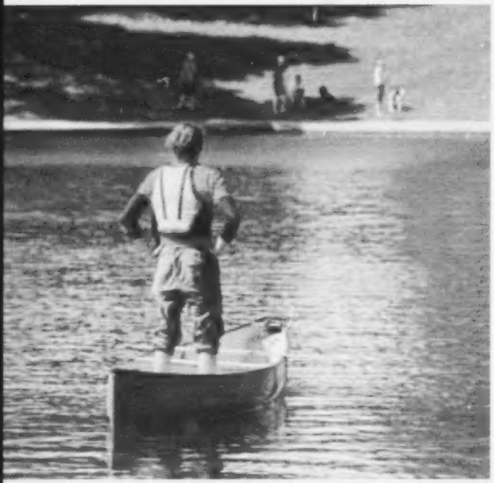

2013
Annual Report

Office of the
Auditor General
of Ontario

Office of the Auditor General of Ontario

To the Honourable Speaker
of the Legislative Assembly

In my capacity as the Auditor General, I am pleased to submit to you the *2013 Annual Report* of the Office of the Auditor General of Ontario to lay before the Assembly in accordance with the provisions of section 12 of the *Auditor General Act*.

Bonnie Lysyk

Bonnie Lysyk
Auditor General

Fall 2013

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Reflections

Introduction

I was appointed by the Legislature as Auditor General of Ontario effective September 3, 2013. This Annual Report is the result of the dedicated work by staff in the Office of the Auditor General of Ontario, with input from employees of the public and broader public sectors who co-operated with our audit teams. We all share the same goal: to make a positive difference for all Ontarians.

I would especially like to recognize the work of my predecessor, Jim McCarter, who served as the Auditor General of Ontario for the past 10 years; Deputy Auditor General, Gary Peall; and the experienced Directors in this Office who guided our teams in performing the value-for-money and financial statement audits and follow-up work for this year's Annual Report. In addition, I want to express my thanks to all management and staff for their professionalism and hard work. And to everyone in the Office, a big thank you for your welcoming acceptance of me since my arrival in September.

I feel privileged to have the opportunity to serve as the Auditor General of Ontario, and I look forward to working with Members of the Legislative Assembly, the Standing Committee on Public Accounts, Deputy Ministers and their staff, and management in broader-public-sector organizations.

Value-for-money Audits

There were several common threads in this year's value-for-money audits, including the importance of good information for sound decision-making, and the fact that data to help fully assess program effectiveness is often unavailable. As well, we noted instances where ministries could improve their monitoring and delivery of programs. However, four broad themes also emerged from this year's audits:

- obtaining full value from programs focused on helping vulnerable people;
- improving co-ordination for cost-effective service delivery;
- meeting public expectations; and
- increasing public awareness.

OBTAINING FULL VALUE FROM PROGRAMS FOCUSED ON HELPING VULNERABLE PEOPLE

This year, we audited two programs that focus on helping vulnerable people with a variety of needs: autism treatment and support for children and youth, and help for women and their children who have experienced violence and abuse. Autism services currently being offered do not meet identified needs. The extent of current needs for services for victims of domestic violence is not known.

Autism Services and Supports for Children

Autism is growing more prevalent in Ontario and around the world. Ontario does not have a formal provincial autism strategy. However, the Ministry of Children and Youth Services funds a variety of autism-specific services and supports for children up to age 18 and their families at a cost of about $182 million in the 2012/13 fiscal year. Despite that, more children with autism are actually waiting for government-funded services than are receiving them.

It can take 3 to 12 months to obtain a diagnosis of autism, depending on where in the province a person lives. Due to long waiting lists, most children in Ontario are almost seven years old when they start Intensive Behaviour Intervention (IBI). Research shows that children who start IBI before age 4 have better outcomes than those who start later. Wait times and service levels can vary between regions in the province.

Although research also shows that children with milder forms of autism have better outcomes with IBI, the program is currently available only to those assessed as having severe autism. There is also limited funding and support to help children with autism transition into adolescence and high school. The Ministry needs to re-evaluate its program design to optimize services and outcomes for children with autism.

Violence Against Women

The Ministry of Community and Social Services provides funding for community programs and services to help women and their children who are victims of domestic violence find safety and rebuild their lives. These programs also serve adult survivors of childhood sexual abuse. In the 2012/13 fiscal year, the Ministry spent $142 million in this area, with about $82 million of that going to the operation of 95 shelters and the remaining $60 million for other support services, including community- and telephone-based counselling, and helping women secure more permanent housing. In all, the Ministry funds more than 200 not-for-profit agencies in local communities to deliver supports and services to abused women and their children.

Overall, we found that the Ministry did not have sufficient information to properly assess the effectiveness of the programs and services offered to victims of violence, and therefore know whether services were sufficient to meet the needs of abused women and their children.

IMPROVING CO-ORDINATION FOR COST-EFFECTIVE SERVICE DELIVERY

Our audits of both the Healthy Schools Strategy and Rehabilitation Services at Hospitals identified a need for improved program co-ordination. In the case of the Healthy Schools Strategy, this will involve the Ministry of Education and school boards better integrating their activities with other ministries and organizations to work toward healthy child and youth development. With respect to rehabilitation services, this will involve the Ministry of Health and Long-Term Care working with the Local Health Integration Networks and service providers to establish a province-wide co-ordinated system for rehabilitation and restorative inpatient services, along with all community-based outpatient services.

Healthy Schools Strategy

The number of overweight children and youth in Canada has increased dramatically in the past 30 years, with nearly one in three being overweight and almost 12% considered obese. The Healthy Kids Panel recently reported that obesity alone cost Ontario about $4.5 billion in 2009, including $1.6 billion in direct health-care costs. The Ministry of Education established policies to support student learning and growth through proper nutrition, and to set nutrition standards for food sold in public schools. In 2005, the Ministry also revised the school curriculum to require that all elementary students get 20 minutes of daily physical activity during instruction time.

We noted that school food is currently not monitored to ensure compliance with nutrition standards in the School Food and Beverage Policy, and the Ministry does not know how successful the Policy has been or whether it has helped students eat healthier foods. We also found that not all elementary students were getting 20 minutes of daily physical activity during instruction time as required by ministry policy. The Ministry and school boards need to ensure compliance with their requirements, work more effectively across government to better integrate and align student nutrition programs, explore best practices elsewhere, and work with other organizations and stakeholders, including parents, to promote healthy eating and physical activity for students.

Rehabilitation Services at Hospitals

The Ministry of Health and Long-Term Care funds rehabilitation services for eligible Ontarians, including all hospital rehabilitation inpatients and hospital-registered outpatients. Demand for these services is expected to grow significantly as the population ages. Rehabilitation services include physiotherapy, occupational therapy, speech-language pathology, social work and nursing. These services assist people who have had certain types of surgery, and those with injuries, chronic conditions and disabilities, to help them regain, maintain or improve their health.

There is currently no provincially co-ordinated rehabilitation system in Ontario. Each hospital has its own processes, and a patient deemed eligible for a service at one hospital might not be eligible for the same service at another. These services have evolved across the province over many years such that there are now significant variations in the availability and type of services provided, which can affect patient access to care. Many stakeholder associations have called for better provincial co-ordination of rehabilitation programs in order to help people transition from acute care to rehabilitation and to ensure patients receive cost effective rehabilitation where and when they need it.

MEETING PUBLIC EXPECTATIONS

In a number of the areas we audited, public expectations are pretty clear. With respect to land ambulance services, for example, the public expects an ambulance to arrive quickly, stabilize a patient and then get that patient to hospital fast. Ontarians expect provincial parks to be well-maintained and the wildlife and natural surroundings in those parks to be protected for the enjoyment of people today and tomorrow. The public also expects there to be employment opportunities for doctors in Ontario when their training has been paid for by the province, in order to reduce patient wait times. And ratepayers expect to pay a reasonable price for electricity. However, these expectations are not always fully met.

Land Ambulance Services

In the 2011/12 fiscal year, the total cost of land ambulance services was an estimated $1.1 billion, with $627 million of that funded by the Ministry of Health and Long-Term Care, and $477 million funded by municipalities. Under the *Land Ambulance Act*, the Ministry must ensure the existence across Ontario of a balanced and integrated system of ambulance services, including the communication services used to dispatch those ambulances. Municipalities are responsible for ensuring the proper provision of land ambulance services within their municipal boundaries in accordance with the needs of people in their municipality.

Ministry funding of land ambulance services almost doubled between the 2004/05 and 2011/12 fiscal years, but the number of patients transported in that same period rose by only 18%. The Ministry does not know whether the additional funding produced better service levels and patient outcomes. In 2012, only about 60% of municipalities responded to 90% of their emergency calls within the target of 15 minutes. Furthermore, there is no patient-centred measure and analysis of the time from receipt of an ambulance call to the time an ambulance arrives at a patient's location.

Health Human Resources

In the last six years, the Ministry of Health and Long-Term Care spent $3.5 billion through its HealthForceOntario strategy to address the shortages of physicians, nurses and other health professionals across Ontario. Overall, Ontario has seen an 18% increase in the number of physicians from 2005 to 2012, and a 10% increase in the number of nurses from 2006 to 2012. While provincial initiatives have increased enrolment in training programs, created more postgraduate training positions, and attracted more doctors and nurses from other jurisdictions, Ontario has not met its goal of having the right number, mix and distribution of physicians across the province to meet the population's current and future health-care needs. For example, the province has spent significantly to train many specialists—who then leave the province because there are no full-time employment opportunities for them here. One-third of Ontario-funded surgical specialist graduates left the province each year from 2005 to 2011. This is happening at a time when patients continue to experience long wait times for services these specialists could provide.

Provincial Parks

It has been a challenge for the Ministry of Natural Resources to meet its legislated mandate within its funded resources, to protect Ontario's provincial parks system and provide ecologically sustainable recreation because of the growth of the parks system and the Ministry's expanded responsibilities under the *Provincial Parks and Conservation Reserves Act, 2006*. Ontario has 334 provincial parks, of which about one-third are operating parks that provide such recreational opportunities as day-use areas and overnight camping. In 2012/13, these 114 operating parks, which charge user fees, attracted more than nine million visitors. Our audit notes that there has been significant environmental damage to parks, but no meaningful strategies to address this damage. As well, there is little or no enforcement of hunting and fishing regulations in significant portions of the provincial parks system; enforcement of the prohibition of activities such as commercial timber harvesting and mining is also weak. Further, the Ministry estimates that it will need about $590 million to improve buildings, bridges, roads, drinking water systems and other park assets in poor or defective condition.

Ontario Power Generation (OPG) Human Resources

OPG has relatively generous employee compensation and benefit practices. About two-thirds of OPG's operating costs are human resources–related, and reached $1.7 billion in 2012. It is therefore critical that OPG's human resources expenditures be effectively managed. A number of reviews of OPG have highlighted concerns over high staffing and compensation levels. OPG offers its employees generous pension plan benefits, questionable relocation allowances and compensation significantly higher than comparable positions in the Ontario Public Service, as well as a generous annual incentive bonus plan for non-unionized employees. Although OPG has been undergoing a business transformation process since 2010, there still are many areas relating to compensation and benefit practices, staffing levels, recruitment practices, performance management, succession planning, outsourcing arrangements, overtime usage, absenteeism and staff training that need further improvement.

INCREASING PUBLIC AWARENESS

Two of our audits this year address the importance of public awareness—making the public more aware of services provided directly by the government, and giving people a clearer and fuller picture of areas where the government provides less oversight than the public might reasonably expect. In the case of ServiceOntario, it is important that people be aware of the varied services it offers, and how they can access those services. The public should also know that the Ministry of Education has only limited involvement with private schools.

ServiceOntario

ServiceOntario provides centralized service delivery to people and businesses seeking government information. It administers programs for birth, marriage and death certificates; business services, including company registrations; personal property security registrations, such as liens on vehicles; and land registrations, searches and title services. ServiceOntario also provides driver's licence renewals, vehicle registrations, and health-card renewals and registrations. In 2012/13, ServiceOntario had approximately 2,000 staff, spent $289 million and collected $2.9 billion in revenues. Notwithstanding its success in centralizing services, ServiceOntario could still make more operational improvements. In the 2012/13 fiscal year, only 30% of ServiceOntario transactions were done online, well short of its forecast of 55% to 60%. An effective strategy that includes heightened public awareness of the availability of these services, and pricing incentives, would help ServiceOntario meet this forecast and reduce costs. In addition, the risk of fraud exists with the continued use of the 3.1 million remaining older red-and-white health cards still in circulation as well as from frequent transaction processing errors.

Private Schools

Ontario has one of the least regulated private-school sectors in Canada. The Ministry provides very little oversight to ensure that private-school students receive satisfactory instruction. On its website, the Ministry cautions parents to exercise due diligence before entering into a contract with a private school to educate their children. All private schools must be registered with the Ministry of Education. During the 2012/13 school year, there were over 1,000 registered private elementary and secondary schools in Ontario that informed the Ministry that they had enrolled about 110,000 students. These schools are not required to follow policies developed for publicly funded schools, and do not have to follow the Ontario curriculum unless they offer credits toward the Ontario Secondary School Diploma.

Based on the Ontario secondary school literacy standardized test results that we reviewed, a greater percentage of public-school students than private-school students met the provincial standard, with private-school results varying from well below average to excellent. We also noted that there is a risk that some private schools may be operating unlicensed child-care centres and that the Ministry needs to control and monitor its issuance of blank grade 12 diplomas to private schools to guard against diploma fraud.

Special Audits

Under the *Auditor General Act*, we perform assignments as requested by the Legislature, by a resolution of the Standing Committee on Public Accounts, by the Premier, or by a Minister of the Crown. The reports of Special Audits are normally tabled upon completion, separately from our Annual Report. This year, the Office issued the following Special Audit reports (available on our website at **www.auditor.on.ca**):

- *Mississauga Power Plant Cancellation Costs*; and
- *Oakville Power Plant Cancellation Costs*.

At the time of writing, two other special audits requested by the Standing Committee on Public Accounts were well in progress: the divestment of the Ontario Northland Transportation Commission and the modernization plan of the Ontario Lottery and Gaming Corporation, including cancellation of the slots at racetracks program. The Office is starting a third special audit on the cost of the revised collective agreements for teachers in Ontario.

The Government's Consolidated Financial Statements

The objective of a financial statement audit is to express an opinion on whether the financial statements have been fairly presented. I am pleased to report that for the 20th straight year, my Office has concluded that the government's consolidated financial statements were fairly presented. This year the audit opinion was signed by Deputy Auditor General Gary Peall, who served as Acting Auditor General following the retirement of former Auditor General Jim McCarter on May 1, 2013.

Financial Audits

The Office spends considerable resources on conducting and overseeing financial statement audits. In the case of the financial statement audits of Crown agencies completed this year, we concluded that all were fairly presented. Our Office also assisted several agencies with their transition to public-sector accounting standards during the past year.

Legislating Accounting

In the past few years, the government has chosen to legislate how certain transactions should be accounted for in either the consolidated financial statements of the province or other public-sector entities.

So far, the impact of this on the consolidated financial statements of the province has not been considered material, in that it would not change a reader's interpretation of the financial position and operations of the government. However, I share my predecessor's concerns about legislating accounting treatments that depart from generally accepted accounting principles established by the independent standard-setter, CPA Canada (formerly the Institute of Chartered Accountants of Canada). This could, in the future, put the Auditor General in the position of concluding that, although the accounting complies with legislation, the financial statements are not fairly presented under Canadian generally accepted accounting principles.

The Province's Financial Condition

Our updated analysis of the province's financial condition is discussed in Chapter 2. The government will need to continuously monitor and take action to manage its debt in a sustainable manner.

Implementation of Our Recommendations

A key part of the work of my Office has to do with follow-ups; each year, the Office revisits each of the value-for-money audits performed two years earlier to assess the progress that auditees have made on our recommendations.

Many of the recommendations in our *2011 Annual Report* were either substantially or partially implemented, although additional work remains to be done in several areas, where we will continue to monitor progress. Follow-ups are discussed in detail in Chapter 4.

Responsibilities Under the *Government Advertising Act, 2004*

The *Government Advertising Act, 2004* requires our Office to review most proposed government advertising in advance of it being broadcast, published or displayed. We are responsible for ensuring that such advertisements meet certain prescribed standards and do not promote the governing party's partisan political interests by fostering a positive impression of the government or a negative impression of any person or group critical of the government.

In the 2012/13 fiscal year, we reviewed 572 advertisements in 130 submissions with a total value of $30.1 million. We noted again this year that the government spent significantly on Internet advertising, which is not covered by the Act and thus is beyond our review to ensure it is not partisan. A full discussion of this issue and our advertising work can be found in Chapter 5.

Standing Committee on Public Accounts

Over the years, Ontario has had a diligent and active Public Accounts Committee. Since my arrival, I have seen that this is still very much the case. Just as my predecessor did, I believe that from a pragmatic perspective, the Committee's support of our work encourages the implementation of our recommendations. Members of the Committee play a vital role in ensuring that any needed improvements in operational cost-effectiveness and service levels are made by the public and broader public sectors.

Acknowledgements

On behalf of my Office, I want to thank the many people in the public and broader public sectors involved in our work for their assistance and co-operation in the completion of this year's Annual Report. We look forward to continuing to serve the Legislative Assembly and, through it, the citizens of Ontario.

Chapter 1

Summaries of Value-for-money Audits

3.01 AUTISM SERVICES AND SUPPORTS FOR CHILDREN

The prevalence of autism has been increasing. In Ontario, children diagnosed with autism may access general services and supports including speech therapy, occupational therapy and mental health services, funded by various ministries. Our audit focused primarily on services and supports funded by the Ministry of Children and Youth Services (Ministry) and provided exclusively to children with autism.

The Ministry funds two types of autism intervention services or therapies—intensive behaviour intervention (IBI) and applied behaviour analysis (ABA)-based services. These services and other supports exclusively for children with autism are delivered through approximately 90 community or hospital-based agencies that are usually not-for-profit organizations. In 2012/13, transfer payments for autism services and supports totalled $182 million.

In December 2012, the Ministry convened an expert panel to give it advice on some of the contentious issues the government has faced surrounding IBI, and it introduced an independent review mechanism to deal with disagreements between families and service providers regarding decisions on IBI eligibility or discharge.

Some of our key observations are as follows:

- Over the last decade, the Ministry has quadrupled autism funding. Despite this, there are more children with autism waiting for government-funded services than there are children receiving them.
- Although scientific research shows that children with milder forms of autism have better outcomes with IBI, the program is currently available only to children assessed with more severe autism. Research also shows that children who start IBI before age 4 have better outcomes than those who start later. However, due to long wait lists, children do not typically start IBI until almost age 7.
- We estimated that children with autism are diagnosed in Ontario at a median age of a little over 3 years, later than the 18-to-24-month screening period endorsed by the Canadian Pediatric Society for children with risk factors. The median wait time for accessing IBI services in the three regions we visited was almost four years.
- ABA-based services, the only type of provincially funded therapy available in Ontario to children with mild to moderate forms of autism, allow a child to work on only one goal at a time, and, thus, might not be sufficient for those who have many behavioural problems or goals to achieve. After achieving one goal, the child returns to the end of the wait list for the next available spot.
- The Ministry has not assessed whether resources are being distributed equitably across the province.

- It is up to the lead service agency to decide how to allocate ministry funding between two IBI service-delivery options: direct service, where the child receives service directly from a service provider at no cost; or direct funding, where the family gets funds from the lead service agency to purchase private services. Wait times for IBI services can differ significantly between the two options and among regions. In one region in 2012, the average wait for IBI services under the direct-funding option was five months longer than the average wait under the direct-service option. In another region, the situation was reversed.
- Of the children discharged from IBI services in 2012/13 province-wide, those under the direct-funding option received on average almost one year more of services than those under the direct-service option (35 months versus 25 months). In general, children receiving IBI under the direct-service option received fewer hours of therapy than they were approved for. One of the key reasons that this arises is because missed appointments cannot be rescheduled.
- Since 2006, the Ministry has reimbursed up to 60 people for a total of $21 million for the ongoing cost of IBI outside of the regular service program. Per child, this represents more than twice the amount that a child in the regular service system typically receives. This practice of special treatment continues while others are on a wait list for services.
- More work is necessary to ensure that ABA methods are being effectively used in schools to educate children with autism.
- Ontario does not have a provincial autism strategy. However, in May 2013, the provincial legislature passed a motion creating a select committee to work on a comprehensive developmental services strategy that is planned to include autism.

3.02 HEALTH HUMAN RESOURCES

The Ministry of Health and Long-Term Care (Ministry) and the Ministry of Training, Colleges and Universities jointly developed the HealthForceOntario Strategy (Strategy) in 2005/06 to address concerns over shortages of physicians and nurses in Ontario and long wait times. The intent is to ensure that Ontario maintains the right number, mix and distribution of qualified health-care providers. Total expenditures for the Strategy in 2012/13 were $738.5 million, an increase of about 65% from the $448 million spent in 2006/07. Over the last six years, the Ministry has spent $3.5 billion on the Strategy.

As part of the Strategy, the Ministry established the HealthForceOntario Marketing and Recruitment Agency (Agency) in 2007. The Agency focuses on recruitment and retention of health professionals.

Overall, Ontario has not met its goal of having the right number, mix and distribution of health-care professionals to meet its future health-care needs, despite the fact it has seen an 18% increase in physicians from 2005 to 2012 and a 10% increase in nurses from 2006 to 2012.

Our most significant observations include the following:

- Access to health care is still a problem for some Ontarians, particularly those who live in rural, remote and northern areas of the province. As of 2011, 95% of physicians in Ontario practised in urban areas and 5% in rural areas. At the same time, 14% of the population lived in rural areas.
- Many specialists who are trained in Ontario—at a cost of about $780,000 each (including $375,000 for resident salaries and benefits)—do not stay in and practise in Ontario primarily because there are few full-time employment opportunities for these graduating specialists. Statistics show that, on average, 33% of Ontario-funded surgical specialist graduates left the province each year from 2005 to 2011 even though there are long wait

times for some of the same services (such as forefoot surgery and knee replacement surgery) these physicians are trained to provide.

- Locum programs, which are meant to provide access to health-care professionals in eligible communities, particularly in Northern Ontario, to cover short-term vacancies, are instead being used for long periods of time. The latest data available at the time of our audit indicated that there were about 200 permanent positions for specialists vacant in Northern Ontario. At the time of our audit, one-third of the hospitals that were using temporary physician services as part of the Emergency Department Coverage Demonstration Project had been using them continuously since 2007.
- At the end of 2011, 66.7% of nurses were working full-time in Ontario, which was just slightly under the Ministry's goal of 70% of nurses working on a full-time basis. However, the Ministry needs to improve its oversight and assessment of the effectiveness of its nursing programs and initiatives. For example, the Nursing Graduate Guarantee Program provides organizations with funding for up to six months with the expectation that they will offer permanent, full-time jobs to participating new graduate nurses. However, only about a quarter of these new graduate nurses in 2010/11 and a third in 2011/12 actually were given permanent full-time jobs.
- Although the physician forecasting model built in partnership with the Ontario Medical Association was a positive step in determining physician workforce requirements, it is hampered by the limited reliability and availability of data, especially on physician productivity. These limitations make planning the optimal numbers, mix and distribution of physicians with appropriate funding, training and employment difficult.
- As well, the model currently being developed to determine the supply of nurses does not consider the number of nurses needed to meet the population's needs.

3.03 HEALTHY SCHOOLS STRATEGY

The increasing incidence of overweight children in Canada has become a significant public concern. Nearly one in three students is overweight. Almost 12% are considered obese—almost twice as many as in the late 1970s. In 2012, the Ontario government set a goal of reducing childhood obesity by 20% in five years.

The Ministry of Education (Ministry), which has primary responsibility for publicly funded schools, has established the Healthy Schools Strategy to support students' learning and growth through proper nutrition and physical activity. In this endeavour, the Ministry relies on the support of other government ministries, such as Health and Long-Term Care and Children and Youth Services.

Ontario's 72 publicly funded school boards operate 4,900 elementary and secondary schools with an enrolment of approximately 2 million students. The Ministry told us it spent about $4 million annually over the three fiscal years 2009/10 to 2011/12 on activities related to the Healthy Schools Strategy.

The Ministry has developed policies for the nutritional requirements of food and drinks sold in schools. It has also revised the school curriculum to require that all elementary students get 20 minutes of physical activity each day. We found, however, that the Ministry and school boards need to put more effort into ensuring that schools are complying with these requirements, and they need to work more effectively with other organizations and stakeholders, including parents, to share effective practices for encouraging healthy living and increased physical activity throughout the system.

Our key observations were as follows:

- Neither the Ministry nor the school boards we visited had effective monitoring strategies to ensure that food and drinks sold in schools complied with the nutrition standards in the

Ministry's policy. Officials at the three school boards we visited had not reviewed the food and drinks sold in their cafeterias to ensure they met the standards.

- Our review of a sample of menu items at one school board identified a number of items that did not meet nutrition criteria in the food and drink policy, some to a significant degree.
- After healthier food choices were introduced, secondary school cafeteria sales at the three school boards we visited decreased between 25% and 45%. Vending machine revenue also dropped between 70% and 85%. Principals we spoke with said many students now preferred to eat at nearby fast-food restaurants.
- There was no formal monitoring by the Ministry, school boards and schools we visited to ensure students in grades 1 to 8 had the 20 minutes of daily physical activity during instruction time as required by the elementary school curriculum. Two of the three school boards we visited conducted surveys of school representatives, and more than half of those who responded said that students at their schools did not get the required 20 minutes a day.
- The Ministry's requirement for physical activity at the high school level is much lower than it is in some other jurisdictions. In Ontario, students must complete only one credit course in health and physical education during their four years of high school. In Manitoba, students must obtain four such credits to graduate, and in British Columbia, students must participate in at least 150 minutes of physical activity per week.

3.04 LAND AMBULANCE SERVICES

Under the *Ambulance Act*, the Ministry of Health and Long-Term Care (Ministry) must ensure "the existence throughout Ontario of a balanced and integrated system of ambulance services and communication services used in dispatching ambulances." The Ministry oversees land ambulance services in Ontario. It is responsible for setting patient-care and ambulance equipment standards, monitoring compliance with those standards and, through service reviews, certifying ambulance service providers. Municipalities (42 municipalities and eight other designated delivery agents) are responsible for providing land ambulance services.

In total, 50 Ontario municipalities have about 830 ambulances and 300 other emergency response vehicles, which carry paramedics but do not transport patients.

There are 22 Ministry-controlled dispatch centres in Ontario—11 run by the Ministry, six by hospitals, four by municipalities and one by a private operator. Physicians in seven base hospitals are responsible for providing medical support to paramedics with complex or risky medical procedures. In 2012, about 1.3 million ambulances were dispatched and about 970,000 patients were transported, an increase of about 15% for both since 2008.

Over the last few years, the Ministry has funded about 50% of each municipality's prior-year costs for ambulance services, plus an increase for inflation, as well as 100% of approved costs for ambulance dispatch centres and base hospitals. The Ministry funds 100% of the cost for the 10 First Nations ambulance services and for those in certain other remote areas. For 2011/12, total ambulance costs were $1.1 billion, $627 million of which were funded by the Ministry and $477 million by municipalities.

From 2004/05 to 2011/12, Ministry funding to municipalities for land ambulance services nearly doubled. However, the number of patients transported increased by only 18% during that time. The Ministry does not know whether the increased funding has resulted in faster response time or better patient outcomes.

The Ministry's funding formula automatically provides more funding each year to ambulance services that spend more, regardless of the level of service they provide. The Ministry does not analyze the relationship between funding and levels of service, and it does not determine the reasons that some municipalities spend and receive more compared to others. In 2012, only about 60% of the 50 municipalities responded to 90% of their emergency calls within 15 minutes.

We noted other areas where action is needed, including the following:

- The Ministry has set meaningful response-time standards for the most time-sensitive patients, such as those who are choking or experiencing cardiac arrest, but not for other urgent cases, such as strokes. Each municipality sets its own response-time targets for these patients and they vary significantly, from 9% (rural) to 85% within eight minutes.
- The Ministry does not have a patient-centred measure of the ambulance service system's overall response time, that is, from the time of call receipt to when an ambulance arrives at the patient's location.
- While the Ministry expects to publicly report ambulance response times starting in 2014, the reporting method used is to be based on patient urgency measured by paramedics after they reach a patient (i.e., retrospectively) rather than on information provided by callers at the time of dispatch. Most other jurisdictions report response times based on information available at the time a call is dispatched. We found no other jurisdiction that used a retrospective response time measure.
- In 2012, none of the 20 dispatch centres that measure their time to respond to emergency calls complied with the Ministry's policy of dispatching 90% of calls within the target of two minutes. However, all dispatched 90% of these calls within three and a half minutes. As of 2013, each dispatch centre was allowed to choose the percentage of urgent calls it would need to dispatch within two minutes. As a result, dispatch centres' required compliance rates ranged from 70% to 90%, depending on the dispatch centre.
- While dispatch protocols are generally designed to over-prioritize calls when there is uncertainty about a patient's condition, the Ministry's dispatch protocol prioritized more than two-thirds of calls at the most-urgent level, when only about 25% of patients actually required an urgent response. This can leave few or no ambulances available to respond to new calls that are truly urgent.
- The Ministry has not assessed whether the current number of dispatch centres is optimal, or whether centralized dispatch would be more cost-effective.
- The Ministry has no provincial policy to ensure appropriate care of certain heart attack patients, and a June 2013 survey indicated that some ambulances did not have trained paramedics and appropriate equipment to ensure proper patient care for such heart attack patients.
- Municipalities acquired patient-care record software that cannot electronically share patient records with hospitals. As a result, hospital emergency room staff often do not have access to such records until a day or two later, relying instead on verbal briefings from ambulance paramedics.
- Municipalities are responsible for overseeing most paramedic patient-care activities, even though base hospital physicians have indicated municipal land ambulance service providers may not have the expertise to provide proper oversight.
- In 2012, over 25% (or about 350,000) of ambulances dispatched did not transport a patient. The Ministry has not assessed the underlying reasons.
- The Ministry has not evaluated the patient offload nurse program for value-for-money. Between 2008/09 and 2012/13, ministry funding for this program totalled $40 million. We found that since this program was implemented, ambulance waiting time while stationed at the hospital has actually increased at 20% of the hospitals funded.

3.05 ONTARIO POWER GENERATION HUMAN RESOURCES

Ontario Power Generation (OPG), a corporation owned by the province, is one of the largest power generators in North America. However, the amount of power OPG produces has decreased by 23% over the last decade because the demand for electricity has decreased, coal-fired plants have closed and there is more private-sector involvement in new power generation.

Despite the declining electricity demand, electricity prices have been rising in Ontario. Given that OPG still generates 60% of the province's electricity, its operating costs have a significant impact on the cost of electricity, particularly with respect to labour costs, which in 2012 were about $1.7 billion, or 64% of its total costs for operations, maintenance and administration.

OPG initiated its Business Transformation Project in 2010, with a target of reducing staffing levels by 2,000 employees through attrition by 2015. While OPG has made some progress in reducing its overall staffing levels, we found several areas where its human resource management and compensation and benefit practices need improvement. Many of our concerns were echoed by respondents to our anonymous survey of more than 800 OPG staff.

Some of our key observations were as follows:

- While OPG's overall staffing levels have gone down about 8.5% (to 11,100 in 2012 from 12,100 in 2005), the size of its executive and senior management group has increased by 58% (to 238 in 2012 from 152 in 2005).
- OPG rehired some former employees, almost all of them shortly after they left OPG, indicating ineffective knowledge transfer and succession planning. Some continued to receive significant allowances and Annual Incentive Plan (AIP) awards, and some had already drawn their pensions in lump sums after they left.
- Even after staff reductions at nuclear facilities starting in 2011, the area of maintenance, janitorial and custodial services was still staffed at a level 170% above the industry benchmark in 2013. Meanwhile, some operational functions were significantly understaffed, including nuclear plant operations, while their associated support functions were overstaffed.
- We found areas of non-compliance in OPG's recruitment and security clearance processes. About 700 pairs or groups of employees live at the same addresses and appear likely to be related. However, OPG had no documentation to show whether family members of staff had been hired through the normal recruitment process. As well, more than 50% of OPG staff, including senior staff with access to confidential nuclear information, had never obtained the required security clearances or had expired clearances.
- OPG gives Annual Incentive Plan awards to all non-unionized staff, ranging from $1,600 to $1.3 million, depending on the job level, base salary and AIP score on a scale of 0 to 4. However, high scores were given much more frequently to staff in senior positions and there were a number of cases with limited documentation to support the score achieved.
- Earnings were significantly more generous at OPG than for comparable positions in the Ontario Public Service (OPS) and many of OPG's senior executives earned more than most deputy ministers. As well, since 2005, OPG's employer-employee pension contribution ratio has been around 4:1 to 5:1, significantly higher than the 1:1 ratio for the OPS. OPG is also solely responsible for financing its pension deficit, which was about $555 million in its latest actuarial valuation.
- Some of OPG's employees received generous benefits that seem questionable. For example, an employee received over $392,000 in relocation benefits from OPG, on top of the proceeds of $354,000 from the sale of his old residence. Another employee who moved further away from his new work location received $80,000 in housing and moving allowances.

- The number of OPG staff earning more than $50,000 in overtime pay per year had doubled since 2003. Planned nuclear outages have resulted in high overtime pay, especially for inspection and maintenance technicians.

3.06 PRIVATE SCHOOLS

Private schools in Ontario must be registered with the Ministry of Education (Ministry). In the 2012/13 school year, more than 1,000 elementary and secondary private schools were registered and they reported a total enrolment of 110,000 students. These schools are considered to be independent organizations, and are not required to follow policies developed for publicly funded schools or to follow the Ontario curriculum unless the school offers credits toward the Ontario secondary school diploma.

The Ministry conducts program inspections at only those registered private schools that offer credits toward an Ontario secondary school diploma. The programs offered at non-credit-granting schools are not inspected by the Ministry. The results of standardized academic tests suggest that the quality of education provided by participating private schools varies from well below average to excellent. Based on standardized test results we reviewed, a greater percentage of public school students achieved the provincial standard than private school students.

Ontario has one of the least regulated private school sectors in Canada. The Ministry provides very little oversight to ensure that private school students receive satisfactory instruction and, on its website, cautions parents to exercise due diligence before entering into a contract to educate their children at a private school.

Our major observations included the following:

- The Ministry noted significant concerns at 100 of the 400 schools that offer high school diploma credits. Many of these concerns related to credit integrity, meaning whether a student actually earned the credits granted toward his or her grade 12 diploma.
- To help prevent diploma fraud, the Ministry reconciles blank diploma requests from public schools to grade 12 student enrolments. However, this procedure is not applied to private schools and, for example, 30 private schools received a total of 1,500 more diplomas than their grade 12 enrolment. The Ministry also issued 2,300 diplomas to 50 schools, even though they had not submitted the required enrolment data.
- There is a risk that some private schools may be operating unlicensed child-care centres. According to ministry information, there may be more than 15,000 children younger than compulsory school age enrolled in private schools. The Ministry allows private schools registered before June 1993 to operate child-care facilities without a licence. In contrast to licensed daycare, there is no limit to the number of children of any age that private school staff can oversee, there are no fire safety requirements, and private school staff are not required to have child-care qualifications.
- For the more than 600 elementary and non-credit-granting secondary schools, education officers conduct a brief visit to validate newly registered schools, but there is no process in place to ever visit these schools again. The Ministry does not evaluate the curriculum for quality or content; does not check for any health and safety issues; and has no process to inform other oversight agencies of any concerns noted.
- Given the limitations of the validation process, private schools are not permitted to state that the Ministry has approved their academic program. However, we identified several cases where private schools were advertising that their programs had been accredited by the Ministry. Parents, students and the public could be misled into thinking that the Ministry ensures some level of education quality at these schools.

- Approximately 250 private schools had still not submitted required information on their students for the 2011/12 school year by June 2013, a full year after the school year had ended.

3.07 PROVINCIAL PARKS

The *Provincial Parks and Conservation Reserves Act* (2006) (Act) governs the development, operation and management of Ontario's 334 provincial parks, about a third of which are operating parks that provide recreational opportunities like day-use areas and overnight camping. The Ministry of Natural Resources (Ministry) is responsible for establishing, operating and managing provincial parks in accordance with the Act.

The purpose of the Act is to permanently protect a system of provincial parks and conservation reserves that contain significant elements of Ontario's natural and cultural heritage and provide opportunities for ecologically sustainable recreation.

In 2012/13, the 114 operating parks, which charge fees for the use of the parks and facilities and services offered within them, attracted more than 9 million visitors. (Non-operating parks, while still accessible to the public, have no staff on site and offer only limited facilities.) Provincial parks generated about $69 million in revenues, while operating expenses, including head office expenses, totalled $80 million. Historically, revenues generated by user fees have recovered more than 80% of the parks' operating costs, with the province making up the difference. Expenditures related to the planning and protection of the park system are funded solely by the province, which also funds park infrastructure.

Over the last 10 years, provincial parks have grown in number and in size. The 2006 Act expanded the requirements for ensuring that the natural values within the parks are protected. The growth of the park system and the expanded responsibilities in the Act have challenged the Ministry's ability within its funded resources to meet its legislated mandate to protect the park system and provide opportunities for ecologically sustainable recreation.

Specifically, we found the following:

- According to the Act, maintaining ecological integrity is the first priority in managing the parks. As a result, the Act requires each park to have in place a management direction that provides policies for the protection, development and management of the park's resources and values. An ecologist we retained for the audit reviewed a sample of the directions that the Ministry had deemed to be consistent with the Act and concluded that none contained a clear statement that ecological integrity was the first priority in managing the park. In fact, every management direction reviewed noted significant damage to environmental conditions within the park, but none put forward meaningful strategies to address them.
- The Ministry's own 2011 survey of park planners, ecologists, biologists and park superintendents revealed that the Ministry lacked the baseline scientific data on the park system that it requires to meet the rigorous standard of the Act. We noted that in Ontario one ecologist, aided only by a seasonal assistant and a few park biologists, might be responsible for research and monitoring in 20 to 50 provincial parks. As a comparison, Parks Canada told us that each park in the federal system has a science team of at least one ecologist supported by a team of technicians.
- Significant portions of the provincial park system are subject to little or no enforcement of regulations on hunting and fishing, and of the prohibition of such activities as commercial timber harvesting and mining.
- The Ministry has a significant backlog for expenditures on capital assets. We estimated that assets such as buildings, roads, bridges, drinking water systems and septic systems listed as being in "poor" or "defective" condition require more than $590 million

to replace. Since our last audit of provincial parks in 2002, the backlog has increased by approximately $160 million.

- There are nearly 600 private cottage properties held under lease in two provincial parks. We noted that the lease payments are significantly below fair market value and should generate approximately $6.7 million more in revenue than the Ministry receives.

3.08 REHABILITATION SERVICES AT HOSPITALS

In coming years, the demand for rehabilitation services, such as physiotherapy and occupational therapy, in Ontario is expected to increase significantly, especially after 2021 when the first baby boomers turn 75. In 2012/13, about half of regular rehabilitation inpatients were over 75 years of age.

The Ministry of Health and Long-Term Care (Ministry) funds inpatient rehabilitation services in 61 hospitals through 14 Local Health Integration Networks (LHINs). There are two kinds of inpatient rehabilitation: regular (frequent sessions for a short term) and restorative (slower-paced and over a longer term). The 61 hospitals have almost 2,500 regular rehabilitation beds to which more than 30,000 patients were admitted in 2012/13. Orthopedic conditions (including hip and knee replacements) and stroke were the most common reasons people were admitted to regular rehabilitation inpatient programs. There is no information available on the total number of restorative rehabilitation beds or admissions.

The Ministry funds rehabilitation services for eligible Ontarians. This includes hospital rehabilitation inpatients and hospital-registered outpatients. The Ministry also funds community-based services for qualified people, including those 19 and under and 65 and over; people who require physiotherapy at home or in long-term-care homes; and people who are eligible for social or disability assistance from the province.

The Ministry does not have information available on the total public funding spent on rehabilitation services or on the number of patients who use hospital-run outpatient programs.

There is currently no co-ordinated rehabilitation system in Ontario. Instead, individual hospitals—some with input from their LHIN—generally determine which inpatient and/or outpatient rehabilitation services they will offer, if any. This means that each hospital establishes its own policies and procedures for determining patient eligibility for its services, prioritizing patients and providing care. As a result, a patient deemed eligible for services at one hospital might not be eligible for similar services at another. Many stakeholder associations have called for better provincial co-ordination of rehabilitation programs, to help transition people from acute care to rehabilitation and to ensure patients receive rehabilitation when needed.

Some of our other significant observations include the following:

- There is wide variation in the supply of regular rehabilitation inpatient beds across the province, which could mean that patients have to travel outside their LHIN for services. The number of beds ranged from 57 per 100,000 people in the Toronto Central LHIN to only six per 100,000 in the Central West LHIN. The provincial average is 18 beds per 100,000.
- The lack of information on the use or outcomes of restorative inpatient rehabilitation or on outpatient rehabilitation means the Ministry does not know if those services are effective.
- Approximately a third of patients admitted to inpatient rehabilitation at the two hospitals we visited with stroke programs had been assessed by an acute-care hospital as having mild functional impairment. This suggests they might have been better served in outpatient programs if these less costly services were available.

- Patients who no longer required hospital care may be occupying beds needed by other patients. The Ontario Hospital Association reports that as of March 2013, about 2,300 alternate-level-of-care patients who were ready to be discharged were waiting in acute-care hospital beds for arrangements to be made. Of these, 25% were waiting for a regular rehabilitation bed or a complex continuing care (which includes restorative rehabilitation) bed.
- With the exception of stroke, for most conditions requiring rehabilitation, there are few best-practice standards in Ontario for such matters as when therapy should start and frequency of treatment. Practices varied at the hospitals we visited.

3.09 SERVICEONTARIO

ServiceOntario, a separate part of the Ministry of Government Services, has a mandate to provide centralized service delivery to individuals and businesses for a number of programs involving vital events, such as birth, marriage and death certificates; business services, including company registrations; personal property security registration and services; and land registration services.

ServiceOntario also processes, for 14 other ministries, high-volume routine transactions, most significantly driver licensing renewals and vehicle registrations and health-card renewals and registrations.

In the 2012/13 fiscal year, ServiceOntario handled more than 35 million transactions, with in-person service centres accounting for 70% and the Internet 30%. ServiceOntario also handled about 12 million requests for information and referrals—55% of these were made online, 38% through the telephone contact centres and 7% at in-person service centres.

ServiceOntario has made substantial accomplishments in centralizing service and is generally meeting its service level targets, but it needs to improve in several key areas. It needs to continue to strengthen its systems and procedures to reduce service delivery costs, effectively monitor service levels and customer satisfaction, and reduce its risks in issuing and managing licences, certifications, registrations and permits.

Specifically, action is needed in the following areas:

- In 2012/13, only 30% of ServiceOntario transactions were done online, well short of its 2008 forecast that 55% to 60% of transactions would be online by 2012. Further savings could be achieved if ServiceOntario could encourage people to switch to doing business online instead of in person. For instance, we estimated that operating costs would decrease by approximately $2.9 million annually if 50% more licence plate sticker renewals were done online.
- ServiceOntario has improved its website services, but its online customer satisfaction rating has remained at 71% to 75% since 2009/10.
- ServiceOntario rated 43% of its 289 in-person service centres as high-risk locations because of the number of processing errors uncovered by its audits. These ranged from incorrect financial charges to missing signatures on health-card applications to renewing the wrong licence plate number to transferring a vehicle to a name other than the one on the application.
- ServiceOntario did not measure or report on the customer wait at peak times or at specific service centres, which often far exceeded its target time of 15 minutes.
- In 2012/13, none of ServiceOntario's seven telephone contact centres met its service standards for answering calls. The range of success in answering calls within targeted times was 51% to 77%, compared to its goal of 80%.
- Significant fraud risk still exists 18 years after the government announced its plan to reduce costs and risks by replacing the red-and-white health card, which has no expiry date, with the

more secure photo health card. As of August 1, 2013, 3.1 million red-and-white cards remained in circulation, or 23% of the total of 13.4 million health cards issued in Ontario.

- We estimated that as of March 31, 2013, approximately 1,500 people in Ontario had been issued duplicate health cards, increasing the risk of misuse. As well, more than 15,000 active health cards and 1,400 driver's licences were circulating in the names of people who were reported to ServiceOntario as deceased.
- ServiceOntario had weak processes for issuing and controlling accessible parking permits to ensure they were not being misused by people who did not require them.
- ServiceOntario did not verify that people registering large commercial agricultural vehicles—which are registered at a reduced rate compared to other commercial vehicles—were indeed farmers. We estimate this could be costing the province about $5 million annually.
- ServiceOntario had no plans in place to stop printing birth certificates on paper and switch to higher security polymer (plastic) documents and a new design to minimize identity theft, forgery and loss as recommended by the Vital Statistics Council for Canada. Eight other provinces have already switched to polymer documents.

3.10 VIOLENCE AGAINST WOMEN

The Ministry of Community and Social Services (Ministry) provides a number of community programs and services to help women and their children who are victims of domestic violence find safety and rebuild their lives.

The Ministry provides transfer payments to more than 200 community not-for-profit agencies, which are governed by volunteer boards of directors, to deliver supports and services to abused women and their children. In 2012/13, the Ministry spent $142 million on transfer payments, of which $82 million went toward the operation of 95 shelters and $60 million toward other supportive services, including community-based counselling, crisis help lines, and services to help women secure more permanent housing.

During the last decade, Ontario released two action plans to address violence against women: the Domestic Violence Action Plan (2004) and the Sexual Violence Action Plan (2011). As well, in 2009, the Domestic Violence Advisory Council (Council), created by the Minister Responsible for Women's Issues, released a report with 45 recommendations for improving the system of services for abused women and their children. The Ontario Women's Directorate (Directorate) is responsible for co-ordinating the implementation of the action plans and the Council's recommendations.

By 2013, we would have expected the government to have assessed whether the 2004 Domestic Violence Action Plan was meeting its objectives of preventing domestic violence and improving supports for abused women and their children. However, the progress reports that have been issued publicly by the Directorate have been mainly anecdotal and have not offered clear reports on the status of the implementation of individual commitments.

Meanwhile, Statistics Canada data on the prevalence of domestic violence before and after the release of the 2004 plan showed some change in Ontario. The percentage of women who reported experiencing spousal abuse decreased from 7% in 1999 to 6.3% in 2009.

Our more significant observations included the following:

- The Ministry does not have the information it would need to identify the unmet demand for services and, in turn, allocate resources to close the gap. For example, in 2011/12, emergency shelters reported that they turned away 15,000 women, or 56% of the women who sought their help. However, this figure overstates unmet demand because the Ministry does not track how many of these women were referred to another agency and received services there.

- Ministry funding to transfer-payment agencies is generally based on what an agency received in previous years, with little or no correlation to identified needs or past performance. As a result, we found significant variations in unit costs among agencies providing similar services. In 2011/12, Ministry-approved annual funding for 10-bed emergency shelters ranged from $334,000 to $624,000, so that the per-day cost of care ranged from $90 to $575.
- The Ministry's client satisfaction survey provides limited value because of its low response rate. In addition, no surveys were completed for 20% of agencies and fewer than 10 surveys were completed for another 40%.
- In 2009, an assessment of the condition of shelter buildings identified more than 500 safety and security issues that needed attention. As of March 31, 2012 (the latest available update), the Ministry had provided funding for only 10% of those deficiencies and it did not know whether the funded projects had been completed or whether the agencies themselves had paid to fix any of the other problems.

Chapter 2

Public Accounts of the Province

Introduction

Ontario's Public Accounts for each fiscal year ending on March 31 are prepared under the direction of the Minister of Finance, as required by the *Financial Administration Act* (Act). The Public Accounts comprise the province's annual report, including the province's consolidated financial statements, and three supplementary volumes of additional financial information.

The government's responsibility for preparing the consolidated financial statements involves ensuring that the information, including the many amounts based on estimates and judgment, is presented fairly. The government is also responsible for ensuring that an effective system of control, with supporting procedures, is in place to ensure that transactions are authorized, assets are safeguarded, and proper records are maintained.

Our Office audits these consolidated financial statements. The objective of our audit is to obtain reasonable assurance that the statements are free of material misstatement—that is, free of significant errors or omissions. The consolidated financial statements, along with our Independent Auditor's Report, are included in the province's annual report.

The province's 2012/13 annual report also contains a Financial Statement Discussion and Analysis section that provides additional information regarding the province's financial condition and fiscal results for the year ended March 31, 2013, including some details of what the government accomplished in the fiscal year. Providing such information enhances the fiscal accountability of the government to both the Legislative Assembly and the public.

The three supplementary volumes of the Public Accounts consist of the following:

- Volume 1—statements from all ministries and a number of schedules providing details of the province's revenue and expenses, its debts and other liabilities, its loans and investments, and other financial information;
- Volume 2—audited financial statements of significant provincial corporations, boards and commissions whose activities are included in the province's consolidated financial statements, as well as other miscellaneous audited financial statements; and
- Volume 3—detailed schedules of ministry payments to vendors and transfer-payment recipients.

Our Office reviews the information in the province's annual report and in Volumes 1 and 2 of the Public Accounts for consistency with the information presented in the province's consolidated financial statements.

The Act requires that, except in extraordinary circumstances, the government deliver its annual report to the Lieutenant Governor in Council within 180 days of the end of the fiscal year. The three supplementary volumes must be submitted to the Lieutenant Governor in Council within 240 days of the end of the fiscal year. Upon receiving these documents, the Lieutenant Governor in Council must lay them before the Legislative Assembly or, if the Assembly is not in session, make the information public and then lay it before the Assembly within 10 days of the time it resumes sitting.

This year, the government released the province's 2012/13 Annual Report and Consolidated Financial Statements, along with the three Public Accounts supplementary volumes, on September 10, 2013, meeting the legislated deadline.

In conducting our annual audit of the Public Accounts we work closely with the Ministry of Finance (Ministry) and particularly with the Office of the Provincial Controller. While we might not always agree on financial reporting issues, our working relationship has always been professional and constructive.

Summary

It is important to acknowledge that the province's consolidated financial statements, in all material respects, have consistently complied with the standards of the Public Sector Accounting Board (PSAB). Successive governments have been diligent in their continued efforts to improve the clarity and completeness of the province's consolidated financial statements and annual reports.

My predecessor has publicly stated that PSAB standards are the most appropriate for use by the province in preparing its consolidated financial statements. I also firmly hold this view. It is critically important that Ontario continue to prepare its financial statements in accordance with independent standards such as PSAB's so that legislators and the public can rely on the reported annual surplus or deficit as being a fair, consistent and comparable reflection of what has actually transpired with respect to the government's management of the public purse. This same principle should be applied to the province's public-sector entities in preparing their individual financial statements.

Accounting standards need to facilitate clear and consistent understanding and interpretation by stakeholders to ensure they contribute to credible and consistent financial reporting. PSAB has ongoing challenges in this regard and in reaching consensus on what accounting standards are most appropriate for the public sector. Ontario has introduced legislation on a number of occasions to establish specific accounting practices that in some cases are consistent with PSAB and Accounting Standards Board (AcSB) standards and in other cases are not, but at this time doing so has not had any material impact on the province's consolidated financial statements. However, if in the future the government introduces further legislated accounting treatments, it could become a greater concern to my Office.

Standard-setters, governments and auditors must work together if we are to resolve financial reporting issues faced by governments and public-sector entities in the public interest. The task force set up to review PSAB's conceptual framework is a good starting point for developing a consensus on the most appropriate public-sector accounting standards. These standards must meet user needs if PSAB is to reduce the risk that governments will establish their own.

These issues are discussed in more detail later in this chapter.

The Province's 2012/13 Consolidated Financial Statements

The *Auditor General Act* requires that we report annually on the results of our examination of the province's consolidated financial statements. I am pleased to report that the Independent Auditor's

Report to the Legislative Assembly on the province's consolidated financial statements for the year ended on March 31, 2013, is free of reservations. It reads as follows:

> *Independent Auditor's Report*
>
> To the Legislative Assembly of the Province of Ontario
>
> I have audited the accompanying consolidated financial statements of the Province of Ontario, which comprise the consolidated statement of financial position as at March 31, 2013, and the consolidated statements of operations, change in net debt, change in accumulated deficit, and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.
>
> *Management's Responsibility for the Consolidated Financial Statements*
>
> The Government of Ontario is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as the Government determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
>
> *Auditor's Responsibility*
>
> My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
>
> An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Government, as well as evaluating the overall presentation of the consolidated financial statements.
>
> I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
>
> *Opinion*
>
> In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province of Ontario as at March 31, 2013 and the consolidated results of its operations, change in its net debt, change in its accumulated deficit, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.
>
> | | [signed] |
> |---|---|
> | Toronto, Ontario | Gary Peall, CPA, CA, LPA |
> | August 14, 2013 | Acting Auditor General |

The above audit opinion is without any reservation, which indicates that the consolidated financial statements fairly present the province's fiscal results for the 2012/13 fiscal year and its financial position at March 31, 2013. This "clean" audit opinion means that, based on our audit work, we can reasonably conclude that the province's consolidated financial statements have been prepared in accordance with accounting standards recommended for governments by the Chartered Professional Accountants of Canada. (CPA Canada was created January 1, 2013, by the merger of the Canadian Institute of Chartered Accountants [CICA] and Certified Management Accountants Canada [CMA].) We are also communicating to users that the province's consolidated financial statements do not have any material or significant errors and provide a fair reflection of what has actually transpired during the year.

If we were to have significant concerns with the government's compliance with CPA Canada's recommended PSAB accounting standards, we would be required to issue an audit opinion with a reservation. An audit opinion with a reservation means significant financial transactions have not been recorded, have not been recorded properly or have not been disclosed properly in the notes to the province's consolidated financial statements.

In determining whether a reservation is needed, we consider the materiality or significance of the unrecorded, misstated or improperly disclosed item in relation to the overall consolidated financial statements. An assessment of what is material (significant) and immaterial (insignificant) is based primarily on our professional judgment. Essentially, we ask the question "Is this error, misstatement or omission significant enough that it could affect decisions made by users of the province's consolidated financial statements?" If the answer is yes, then we consider the error, misstatement or omission material.

To assist in this assessment, we calculate a materiality threshold. This year, as in past years and consistent with most other provincial jurisdictions, we set this threshold at 0.5% of the greater of government expenses or revenue for the year. If misstated items individually or collectively exceed the threshold, and management is not willing to make the required adjustments, a reservation in our Independent Auditor's Report would normally be required. However, no such reservation was required this year.

We have been working closely with the Office of the Provincial Controller over the years to enhance the usefulness, readability and transparency of Ontario's Annual Report and Consolidated Financial Statements, so we were most pleased to see a February 2013 commentary from the C.D. Howe Institute on federal and provincial reporting practices that recognized these enhancements:

> The federal government and the governments of Ontario and New Brunswick are leading the way in presenting clear public accounts documents and making an effort to compare and explain deviations from budgeted and year-end revenues and spending figures.

As a final comment, we wish to point out that it is notable that in the past 20 years, all Ontario governments, regardless of the political party in power, have complied in all material respects with approved accounting standards. Accordingly, we have been able to issue "clean" audit opinions on the province's consolidated financial statements since the province moved to adopt PSAB accounting standards in the 1993/94 fiscal year.

The Province's Financial Condition

In our past two Annual Reports, we commented on Ontario's debt burden. In our *2011 Annual Report* we discussed the different measures of government debt—total debt, net debt and accumulated deficit. We noted that the province's growing debt burden was attributable to continued government borrowing to finance large deficits and infrastructure spending. We compared Ontario's net-debt-to-GDP ratio to other Canadian and international jurisdictions, and highlighted the negative consequences of carrying a large debt load, including:

- debt-servicing costs crowding out funding needed for other programs;
- greater vulnerability to interest rate increases; and
- potential credit-rating downgrades, which would likely increase borrowing costs.

In our *2012 Annual Report* we noted that two credit-rating agencies had updated their assessment of the province's credit rating shortly after the government released its 2012 Ontario Budget, with Standard and Poor's (S&P) giving Ontario's AA- credit rating a negative outlook and Moody's Investors Service lowering Ontario's credit rating from Aa1 to Aa2. DBRS, a third credit-rating agency, had maintained the province's rating of AA (low). We explained that a credit rating is an assessment of a borrower's creditworthiness with respect to specified debt obligations and that investors use these credit ratings to assess the returns they require to offset the risk of holding these debt securities, thus affecting the cost of future government borrowing. We had noted that despite these developments there was as yet no evidence that rating changes have had a significant impact on Ontario's borrowing costs. Investor demand for Ontario debt had remained strong, helping to contain borrowing costs.

Shortly after the release of the 2013 Ontario Budget, all three rating agencies confirmed their existing ratings. S&P noted that while Ontario continues to have a large and well-diversified economy, it still faces large deficits over the next few years. It projected that there was a one-in-three chance that it would lower the province's long-term credit rating within the next year, citing the province's high debt levels and its doubts regarding the achievability of the province's aggressive plans to contain costs. However, it did indicate that it could revise this outlook upward if the province is able to meet or exceed its budget deficit targets.

The release of the province's March 31, 2013, Annual Report and Consolidated Financial Statements marks the fourth consecutive year that Ontario has reported a deficit lower than forecast. However, with declining but still significant deficits forecast in the 2013 Ontario Budget (and substantially unchanged in the *Ontario Economic Outlook and Fiscal Review 2013*), we believe an update on the province's "financial health" indicators, last examined in our *2010 Annual Report*, is warranted.

FINANCIAL PERFORMANCE AT MARCH 31, 2013

The province projected a $14.8 billion deficit for 2012/13 in its 2012 Ontario Budget. The actual deficit was $9.2 billion or some $5.6 billion less. There are several reasons for this improvement:

- Revenue was $0.8 billion higher than forecast. Taxation revenue was $0.3 billion higher due to an unexpected $1.3 billion increase in corporation tax revenue related to tax assessment revisions for prior years. This was partially offset by $1 billion in poorer results from the other sources of taxation, including a $0.5 billion decrease in personal income tax revenue due to slower-than-expected economic growth. There was also a $0.4 billion increase in income from government business enterprises and a $0.2 billion improvement in other revenue, partially offset by $0.1 billion in lower transfers from the federal government.
- Expenses were $4.8 billion lower than forecast. There was a $2.2 billion decrease in education-sector expenses primarily due to one-time savings of $1.3 billion from the elimination of banked sick days for teachers, and from reducing retirement gratuities and other school board expenses; $1.3 billion from reduced spending across all other ministries, particularly health and general government; $0.3 billion in lower interest expenses reflecting lower-than-forecast interest rates and lower borrowing because of the lower

deficit; and $1 billion saved by not using the budget reserve.

Primarily because of the annual deficit and infrastructure investments, the province's total debt rose to $281.1 billion and net debt to $252.1 billion at March 31, 2013.

PROJECTED FINANCIAL PERFORMANCE—THE 2013 BUDGET PLAN

The government is projecting deficits for the next four years before being able to balance its books in 2017/18, as illustrated in Figure 1.

While annual deficits are projected to decrease, the province must still increase its borrowing to finance these deficits, replace maturing debt and fund investments in infrastructure. Figure 2 provides details on the province's debt levels for the past six fiscal years, along with projections over the next three fiscal years. By 2015/16, with one more year of a deficit forecast remaining, Ontario's total debt will have increased by an additional $42 billion, or over 15%. Over the same three-year period Ontario's net debt will have increased by $52 billion, or over 20%. The government will need to continuously monitor and take action to manage its debt in a sustainable manner.

Ultimately, the question of what Ontario's budget surplus or deficit should be or how much debt the government should incur is one of government policy. This analysis is presented solely to help the government, legislators and the public better understand the current state of the province's finances. It is they who must make the decisions required to protect and preserve the province's financial condition, and consider the impact and sustainability of the level of debt on current and future generations.

ONTARIO'S FINANCIAL CONDITION INDICATORS

The March 31, 2013, consolidated financial statements provide a snapshot of the province's financial position at that time and its financial results for the 2012/13 fiscal year. To provide legislators and the public with a more complete picture, we assessed the government's financial health using several PSAB-recommended financial indicators: sustainability, flexibility and vulnerability.

Our analysis indicates that Ontario's financial condition has not improved significantly since the global economic downturn in 2008/09, and although it is projected to remain relatively stable over the next few years, it remains challenging. Over the next few years, the province's debt will become less sustainable and the government will have less flexibility to respond to changing economic circumstances. Its finances will also be more

Figure 1: Ontario Revenue and Expenses, 2008/09–2017/18 ($ billion)

Sources of data: 2012/13 Province of Ontario Consolidated Financial Statements and 2013 Ontario Budget

	Actual					Plan Medium-term Outlook			Extended Outlook	
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total Revenue	**97.5**	**96.3**	**107.2**	**109.8**	**113.4**	**116.9**	**120.5**	**124.9**	**130.1**	**134.4**
Expense										
Program expense	95.3	106.9	111.7	112.7	112.3	117.0	118.3	118.8	118.8	118.0
Interest on debt	8.6	8.7	9.5	10.1	10.3	10.6	11.1	12.2	13.4	14.5
Total Expense	**103.9**	**115.6**	**121.2**	**122.8**	**122.6**	**127.6**	**129.5**	**131.0**	**132.1**	**132.4**
Reserve	–	–	–	–	–	1.0	1.2	1.2	1.5	1.5
Surplus/(Deficit)	**(6.4)**	**(19.3)**	**(14.0)**	**(12.9)**	**(9.2)**	**(11.7)**	**(10.1)**	**(7.2)**	**(3.5)**	**0.5**

Note: Numbers may not add up due to rounding.

Figure 2: Total Debt,[1] Net Debt[2] and Accumulated Deficit,[3] 2007/08–2015/16 ($ million)

Sources of data: 2012/13 Province of Ontario Consolidated Financial Statements and 2013 Ontario Budget

	Actual						Estimate		
	2007/08[a]	**2008/09[a]**	**2009/10[a]**	**2010/11[a]**	**2011/12[a]**	**2012/13[b]**	**2013/14[a]**	**2014/15[a]**	**2015/16[a]**
Total debt	162,217	176,915	212,122	236,629	257,278	281,065	290,853	308,100	323,800
Net debt	156,616	169,585	193,589	214,511	235,582	252,088	272,810	290,100	303,900
Accumulated deficit	105,617	113,238	130,957	144,573	158,410	167,132	179,935	190,100	197,300

1. *Total debt* represents the total amount of money the government owes to outsiders and consists of bonds issued in public capital markets, non-public debt, T-bills and U.S. commercial paper.
2. *Net debt* is the difference between the government's total liabilities and its financial assets.
3. *Accumulated deficit* represents the sum of all past government annual deficits and surpluses. It is derived by taking net debt and deducting the value of the government's non-financial assets, such as its tangible capital assets.

a. 2013 Ontario Budget
b. 2012/13 Province of Ontario Consolidated Financial Statements

vulnerable to decisions of the federal government. The province's debt burden and interest costs will continue to rise, acting as a constraint on future program delivery.

We elaborate on our analysis in the following sections.

Sustainability

Sustainability as defined by PSAB is the degree to which a government can maintain its existing financial obligations—its service commitments to the public and its financial commitments to creditors, employees and others—without increasing the debt or tax burden relative to the economy in which it operates. Sustainability provides insight into the government's ability to manage its financial and program commitments and debt burden.

There are two key sustainability indicators: ratio of net debt to GDP, and ratio of net debt to total annual revenue.

Ratio of Net Debt to GDP

Net debt is the difference between a government's total liabilities and its financial assets. Liabilities consist of all amounts a government owes to external parties, including debt, accounts payable, pensions and transfer payment obligations. Financial assets include cash, accounts receivable, temporary investments and investments in government business enterprises.

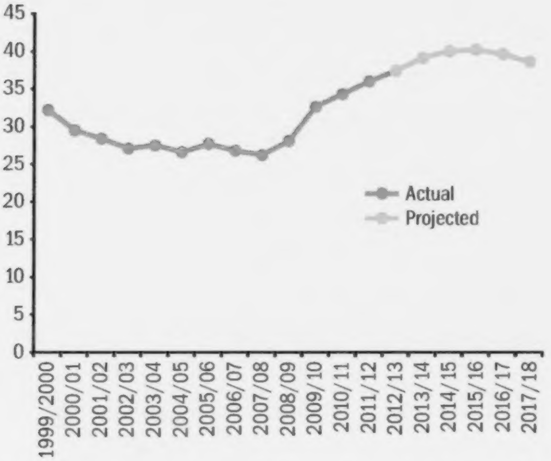
Net debt is an important measure of a government's financial position as it provides insight into the affordability of continuing to provide public services. Essentially, net debt reflects the amount of future provincial revenue that will be required to pay down a government's liabilities. A large net-debt position reduces a government's ability to devote future financial resources to existing programs and public services.

Gross domestic product (GDP) is a measure of the total value of all goods and services produced by an economy. It is also equal to the sum of all income earned in the economy. The ratio of net debt to GDP is an indicator of the burden of debt on the economy. If the amount of debt that must be repaid relative to the value of the output of an economy is rising—in other words the ratio is rising—it means a government's debts are becoming an increasing burden.

Figure 3 shows that the province's net-debt-to-GDP ratio gradually fell since 1999/2000, from a high of 32.2%, to 26.2% in 2007/08. However, it has been trending upward since then, reflecting the impact of the 2008 global economic downturn on the provincial economy. Tax revenue fell abruptly, and the government has increased its borrowing significantly to fund annual deficits and infrastructure stimulus spending since that time. Ontario

Figure 3: Ratio of Net Debt to Gross Domestic Product (GDP), 1999/2000–2017/18 (%)

Sources of data: March 31, 2013 Province of Ontario Consolidated Financial Statements and 2013 Ontario Budget



Note: Net debt includes broader-public-sector net debt starting in 2005/06.

Figure 4: Net Debt and the Net-debt-to-GDP Ratios of Canadian Jurisdictions, 2012/13

Sources of data: 2012/13 Province of Ontario Annual Report and Consolidated Financial Statements; 2013 Federal Budget; budget updates and 2013 budgets of provincial jurisdictions; and Office of the Auditor General of Ontario

	Net Debt/ (Net Assets) ($ million)	Net Debt to GDP (%)
AB	(14,604)	(4.7)
SK	5,109	6.6
BC	38,136	17.0
MB	15,893	26.8
NB	11,054	33.9
PEI	1,971	35.8
NS	13,954	36.7
Federal	671,363	36.9
ON	**252,100**	**37.4**
QC	176,575	49.4

expects to continue to incur large deficits and a growing debt. In fact, Ontario's net debt will have almost doubled from $157 billion in 2007/08 to over $303 billion by 2015/16.

The net debt-to-GDP ratio is projected to reach a high of 40.2% in 2015/16. After this peak, the government then expects it to begin falling. Thus, provincial net debt growth will be less sustainable over the next three years, and will improve only if longer-term projections are met. Many experts contend that a jurisdiction's fiscal health is at risk and is vulnerable to unexpected economic shocks when the net-debt-to-GDP ratio rises above 60%.

A useful exercise in assessing Ontario's ratio of net debt to GDP is to compare it with other Canadian jurisdictions. The net debt of most provinces and the federal government, along with their respective ratios of net debt to GDP, is illustrated in Figure 4. Generally, the western provinces have a significantly lower net-debt-to-GDP ratio than Ontario, while the Maritime provinces and the federal government are roughly similar to Ontario, and Quebec has a significantly higher ratio than Ontario.

In his February 2012 report of the *Commission on the Reform of Ontario Public Services*, Don Drummond noted that while Ontario's debt is relatively small compared to that of many international jurisdictions, and the province is "a very long way from the dreadful fiscal condition of countries that have dominated the news over the past two years," he warned, "so, however, were many of [these countries] at one time and, in some cases, surprisingly recently." For example, he wrote, "...nations whose net debt was once similar to Ontario's current 35% of GDP include Britain (2004), the United States (2001), Japan (1997) and France (1993)...Today, debt burdens have reached 73% in Britain and the United States, 131% in Japan, and 81% in France."

Drummond added: "We do not mean to be alarmist in noting the province's debt picture, only to point out that government debt burdens can rise quickly if they are not headed off early with appropriate action."

In its 2013 Budget, the government committed to eliminating the annual deficit by 2017/18 and then reducing the net debt-to-GDP ratio to the pre-recession level of 27%.

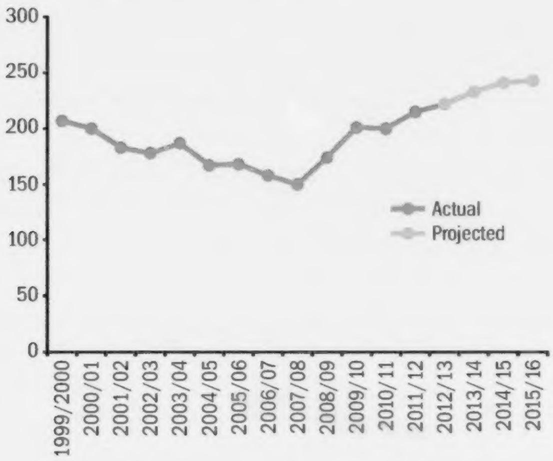
Ratio of Net Debt to Total Annual Revenue

The ratio of net debt to total annual revenue is an indicator of how much time would be needed to eliminate the province's debt if all revenue could be devoted to it. For instance, a ratio of 250% indicates that it would take two and a half years to eliminate the provincial debt if all revenue was devoted to it. As shown in Figure 5, this ratio declined from about 200% in 1999/2000 to about 150% in 2007/08, reflecting the fact that, while the province's net debt remained essentially the same, annual provincial revenue was increasing. However, the ratio has increased steadily since 2007/08 and is expected to top 240% by 2015/16. This increasing ratio of net debt to total annual revenue also indicates the province's net debt has less revenue to support it.

Of interest are S&P's May 2013 review comments published after the government tabled its 2013 Ontario Budget. The agency noted that if it were to downgrade Ontario's rating next year (thereby increasing its cost of borrowing), it would be because of "Ontario's growing debt burden trending materially above [its] base-case scenario projection of a tax-supported burden of around 250% of consolidated operating revenues by the end of fiscal 2015." S&P further noted that either economic or fiscal pressures arising from lower-than-projected economic growth or the government's inability to rein in spending could trigger this unplanned debt growth.

Figure 5: Ratio of Net Debt as Percentage of Total Annual Revenue, 1999/2000–2015/16 (%)

Sources of data: March 31, 2013 Province of Ontario Consolidated Financial Statements; 2008, 2009, 2013 Ontario Budgets



Flexibility

Flexibility is the degree to which a government can change its debt or tax burden to meet existing financial obligations. Current borrowing reduces the government's future ability to respond to changing economic circumstances. Similarly, increasing taxes or government fees reduces the government's ability to levy these measures in future as it approaches the limits that the public is willing and the economy is able to bear.

In the following section, we examine two flexibility indicators to help assess how well the government is managing its finances.

Ratio of Interest Expense to Revenue

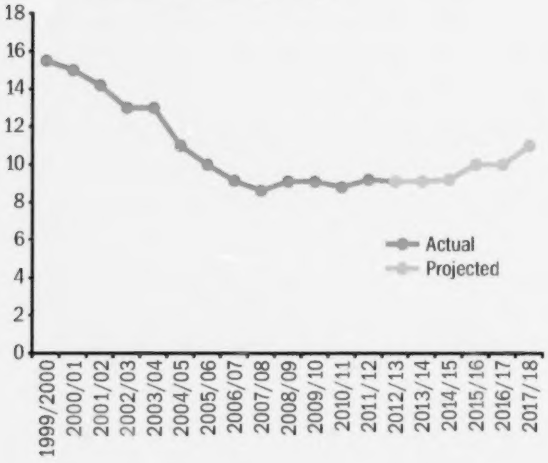
Increases in the cost of servicing total debt, or interest expense, can directly affect the quantity and quality of programs and services that government can provide. The higher the proportion of government revenue needed to pay interest costs arising from past borrowing, the less will be available for program spending.

The interest-expense-to-revenue ratio illustrates the extent to which servicing past borrowing takes a greater or lesser share of total revenue.

As Figure 6 shows, the province's interest-expense-to-total-revenue ratio decreased steadily in the decade ending in 2007/08. This is mainly due to a lower interest rate–environment. Because rates have been at historic lows since the early part of this decade, both the actual and projected interestexpense-to-total-revenue ratio have held and are expected to hold steady at approximately 9% from 2009/10 to 2014/15, even as the province's total borrowing is expected to increase by $96 billion, or 45%, from $212 billion to over $308 billion.

Figure 6: Ratio of Interest Expense to Revenue, 1999/2000–2017/18 (%)

Sources of data: March 31, 2013 Province of Ontario Consolidated Financial Statements; 2008, 2009, 2013 Ontario Budgets



Based on the government's latest projections, the ratio is expected to gradually increase to 10% by 2015/16 and further to 11% by 2017/18, when total debt is expected to be around $340 billion. This means that by 2017/18 the government expects to have to spend nearly one out of every nine dollars of revenue collected on servicing its debt. In 2007/08, only one out of every 12 dollars of revenue collected was required to service the province's debt.

The province's debt also exposes it to significant interest-rate risk. As discussed above, interest rates are currently at record low levels, enabling the government to keep its annual interest expense relatively steady even as its total borrowing has increased significantly. However, if interest rates rise, the government will have considerably less flexibility in using its revenue to provide public services because a higher proportion will be required to pay interest on the province's outstanding debt.

The expected increasing ratio of interest expense to revenue beginning in 2015/16 indicates the government will have less flexibility to respond to changing economic circumstances. Past government borrowing decisions mean a growing portion of revenue will not be available for current and future government programs.

Ratio of Own-source Revenue to GDP

The ratio of own-source revenue—primarily tax and fee revenue—to GDP shows the extent to which a government is taking revenue out of the economy through taxation, user charges or other sources. If the ratio is rising, the government may have less flexibility in future to raise taxes or increase fees. From the 2005/06 fiscal year to 2012/13, the government's own-source revenue as a percentage of GDP has ranged from 13% to 14.6% and is expected remain in that range.

Vulnerability

Vulnerability refers to the degree to which a government becomes dependent on outside revenue sources or is exposed to other risks that could impair its ability to meet existing service commitments to the public and financial commitments to creditors, employees and others. Vulnerability measures provide insight into a government's reliance on funding sources that are beyond its control, such as transfers from other levels of government. The higher the reliance on outside revenue sources, the less control the government has over its finances and the more vulnerable it becomes to the decisions of others.

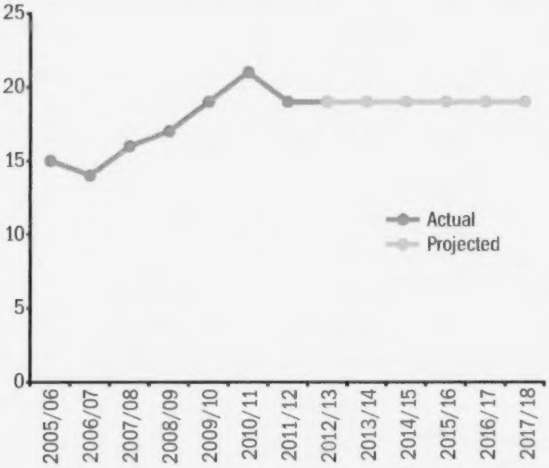
There is one key indicator for Ontario's vulnerability:

Ratio of Federal Government Transfers to Total Revenue

As shown in Figure 7, the ratio of federal government transfers to revenue rose in Ontario since 2005/06, when it was 14.7%, to a peak of 22.2% in 2010/11, largely as the result of a drop in own-source revenue and federal–provincial stimulus funding to address the 2008 global economic downturn. This funding ended in 2010/11, and the proportion of revenue that the Ontario government

Figure 7: Ratio of Federal Government Transfers to Total Revenue, 2005/06–2017/18 (%)

Sources of data: March 31, 2013 Province of Ontario Consolidated Financial Statements; 2008, 2009, 2013 Ontario Budgets



Note: The ratios of federal government transfers to total revenue are assumed to be flat-lined at 19% after 2013/14.

received from the government of Canada has since decreased to 19%. While the province expects it to remain at this rate, the federal government is facing a number of its own fiscal challenges, and any unforeseen reductions in future federal transfers could result in the province having to issue more debt or raise taxes or fees if it wishes to maintain its projected spending plans. Even if federal transfers remain the same, any drop in own-source revenue will increase this ratio again, indicating greater dependence on federal transfers to fund program spending. Conversely, any increase in own-source revenue will decrease this ratio and reduce dependence on federal transfers to fund programs.

LOOKING AHEAD

Long-term fiscal sustainability refers to the capacity of a government to finance its debt obligations without placing an excessive burden on successive generations—in other words, a government's ability to meet service delivery and financial commitments both now and in the future. In a May 2013 discussion paper, New Zealand's Controller and Auditor General noted that to fully understand whether the government is able to sustain itself financially requires "an increasing focus on understanding the underlying social, environmental and economic drivers of public spending, and the connections between them." Our review of Ontario's indicators of financial condition is just a first step in performing such a complex review.

The government plans to balance its books by 2017/18 by restraining spending while revenue rises with economic growth. Specifically, it plans to hold program spending increases to 4.2% in 2013/14, 1.1% in 2014/15 and 0.4% in 2015/16. Program spending is forecast to remain at the 2015/16 level for the 2016/17 and 2017/18 fiscal years. The province's financial condition will deteriorate further if these government restraint targets cannot be achieved. This is a significant risk given that program spending has already been restrained in recent years.

MINISTRY RESPONSE

In the wake of the global recession, governments around the world took steps to maintain programs and stimulate the economy. Ontario has been successful in controlling costs and managing down its net-debt-to-GDP trajectory relative to its 2010 plan. The 2012/13 fiscal year was the second year in a row for which year-over-year growth in program spending was held to less than 1%. In addition, in 2012/13, reported total spending and program spending fell from the previous year for the first time in more than a decade.

Since the last time the Office of the Auditor General reviewed these statistics in its *2010 Annual Report*, Ontario's financial condition indicators have generally improved relative to its 2010 plan. For example, the net-debt-to-GDP ratio for 2012/13 as reported in 2010 was projected to be 41%. In fact, Ontario's net-debt-to-GDP ratio in 2012/13 was actually 37.4%. The improvement in Ontario's net-debt-to-GDP trajectory is a direct result of bettering its deficit targets in each of the past four years and avoiding $22.2 billion in debt. Similarly, the trajectories of the net-debt-to-revenue and interest-expense-to-revenue ratios have also improved, while the federal-transfers-to-revenue ratio is essentially unchanged.

Update on the Workplace Safety and Insurance Board

The Workplace Safety and Insurance Board (WSIB) is a statutory corporation created by the *Workplace Safety and Insurance Act, 1997* (Act). Its primary purpose is to provide income support and medical assistance to workers injured on the job. The WSIB receives no funding from government; it is financed through premiums on employer payrolls.

Over the past decade, we have raised a number of concerns about the significant growth in the WSIB's unfunded liability, which is the difference between the value of the WSIB's assets and its estimated financial obligations to pay benefits to injured workers. In our *2009 Annual Report* we discussed the risk that the growth and magnitude of the unfunded liability posed to the WSIB's financial viability, including the ultimate risk of the WSIB being unable to meet its existing and future commitments to provide worker benefits.

We also urged the government to reconsider the exclusion of the WSIB's financial results from the province's consolidated financial statements, particularly if there was any risk that the province might have to provide funding to ensure the WSIB remained viable. Excluding its financial results was based on the WSIB's classification as a "trust"; however, given its significant unfunded liability and various other factors, we questioned whether the WSIB was operating like a true trust. Including the WSIB in the government's financial reporting would have a significant impact on the government's fiscal performance.

In September 2010, the WSIB announced an independent funding review to provide advice on how to best ensure the long-term financial viability of Ontario's workplace safety and insurance system. The May 2012 report by Professor Harry Arthurs contained a number of recommendations, in particular calling for a new funding strategy for the WSIB with the following key elements:

- realistic assumptions, including a discount rate based on the best actuarial advice;
- moving the WSIB as quickly as feasible beyond a "tipping point" of a 60% funding ratio (tipping point being defined as a crisis in which the WSIB could not within a reasonable time frame and by reasonable measures generate sufficient funds to pay workers' benefits); and
- putting the WSIB on course to achieve a 90%–110% funding ratio within 20 years.

In response to our concerns and to the recommendations of the Arthurs report, in June 2012 the government made a new regulation under the Act. Effective January 1, 2013, it required the WSIB to ensure it meets the following funding sufficiency ratios by specified dates:

- 60% on or before December 31, 2017;
- 80% on or before December 31, 2022; and
- 100% on or before December 31, 2027.

The regulation also required the WSIB to submit a plan to the Minister of Labour by June 30, 2013, outlining the measures it will take to achieve these targets. The WSIB has to date complied with the requirements of the regulation by issuing a sufficiency plan to the Minister. It has also approved a new funding policy and provided stakeholders with a 2012 sufficiency report. The Ministry asked our Office to confirm whether the June 30, 2013, funding sufficiency plan is consistent with our interpretation of the new regulation, and we did so.

The WSIB consulted with our Office and the Ministry of Labour to clarify its interpretation of the regulation as to the accounting policies to be followed in measuring progress against the plan. The

WSIB has proposed to the Ministry that a regulatory amendment be made with respect to the valuation of the assets. Our Office concurs with this suggested amendment. The Ministry of Labour was still considering the WSIB's request at the time of writing.

During the 2012 calendar year, the WSIB achieved strong financial and operational performance, as illustrated in Figure 8, which provides a summary of the WSIB's operating results and unfunded liability since 2010, the year following our 2009 review.

The $2 billion growth in the unfunded liability from 2010 to 2011 arose primarily from a significant reduction in the discount rate used to value its obligations, reflecting the changed interest-rate environment and investment climate. The decrease of almost $1 billion from 2011 to 2012 was the result of the WSIB's continued efforts to increase revenue and reduce operating and claims costs. For the first time since 1997, the WSIB's premiums not only covered current costs, but were able to contribute $300 million to its investment fund, due to higher premiums and investment returns, combined with improved recovery and return-to-work outcomes and a drop in new claims.

The WSIB's funding ratio—the percentage of assets to liabilities—increased to 56.9 % as of December 31, 2012, from 52.1% as of December 31, 2011, a significant improvement.

However, the WSIB's ability to achieve the prescribed funding sufficiency ratios will continue to be subject to considerable uncertainty. For example, the WSIB reports its financial results based on International Financial Reporting Standards (IFRS). A new standard under IFRS effective January 1, 2013, will necessitate an increase in the unfunded liability by $585 million to reflect the net amount of unamortized losses in the WSIB's pension plan currently being amortized into income over several years.

As a result of the government's and the WSIB's commitments to and progress to date in addressing its unfunded liability, we support the continued classification of the WSIB as a trust for the 2012/13 fiscal year, and therefore the exclusion of its unfunded liability from the province's liabilities. However, we will continue to monitor the progress being made toward meeting the required funding sufficiency ratios and re-evaluate our position as necessary.

Figure 8: Workplace Safety and Insurance Board Operating Results and Unfunded Liability, 2010–2012* ($ billion)

Sources of data: WSIB Financial Statements and Fourth Quarter 2012 Report to Stakeholders

	2010	2011	2012
Revenue			
Premiums	3,507	3,876	4,061
Net investment income	1,207	296	1,459
	4,714	**4,172**	**5,520**
Expenses			
Benefit costs	4,509	5,260	3,773
Loss of Retirement Income Fund contributions	73	70	67
Administration and other expenses	291	324	328
Legislated obligations and commitments	227	228	231
	5,100	**5,882**	**4,399**
Comprehensive Income (Loss) for the Year	**(386)**	**(1,710)**	**1,121**
Unfunded Liability	**12,438**	**14,222**	**13,299**

* As of December 31.

Update on the Pension Benefit Guarantee Fund

The Pension Benefit Guarantee Fund (PBGF) guarantees the payment of certain pension benefits when eligible defined-benefit plans are terminated under conditions specified in the *Pension Benefits Act* (Act). The PBGF is funded through annual assessments paid by sponsors of pension plans with covered benefits. The PBGF is intended to be self-financing, with funding based on per-member and risk-related fees.

The PBGF is classified as a trust in the province's consolidated financial statements. This means its assets, liabilities and operating results are excluded from the accounts of the province. However, its financial position is summarized in notes to the province's consolidated financial statements, and a five-year summary of its results is shown in Figure 9. In our *2011 Annual Report* we noted that corporate insolvencies and bankruptcies arising primarily from the economic downturn in 2008 had led to increased claims on the PBGF. As a result, the PBGF reported unfunded liabilities of $102 million as of March 31, 2008, and $47 million as of March 31, 2009. These unfunded liabilities existed despite a $330-million interest-free loan from the province in 2003/04 that is being repaid in $11-million annual instalments over 30 years.

In 2009, the government amended the Act to clarify that the PBGF is intended to be self-sustaining and independent of the government. The amendments allow, but do not require, the government to provide grants or loans to the PBGF. The amendments specify that the PBGF's liabilities are limited to its assets.

In March 2010, the government approved a $500-million grant to the PBGF to help stabilize its financial position and cover the costs of a number of plan windups. However, as of March 31, 2011, notwithstanding this $500-million cash infusion, the PBGF was back in a $6-million unfunded liability position because annual expenses, primarily claims, exceeded revenue by $109 million. In essence, the government's $500-million funding infusion in 2009/10 was fully depleted within a year because of a few large claims, of which the Nortel pension plans were the most significant.

An independent actuary appointed by the government to review the PBGF's stability and financial status noted in June 2010 that in the absence of increased assessments, the fund would require between $680 million and $1.023 billion from the government to cover expected future claims. The actuary estimated that in order for the PBGF to be self-sufficient over the long term and continue to fund benefits at the current maximum coverage level of $1,000 per month per employee, the PBGF would need to increase its annual assessment rates by an estimated 450%.

To mitigate the risks to the PBGF and enhance the PBGF's sustainability, the government announced in August 2010 that it would do the following:

- build reserves through the $500-million grant provided in March 2010;

Figure 9: Pension Benefit Guarantee Fund Financial Position, 2007/08–2012/13 ($ million)

Source of data: Pension Benefit Guarantee Fund

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Revenue	75,169	123,974	555,806	67,105	122,318	201,346
Claims and other expenses	64,546	69,107	406,641	176,671	40,049	21,309
Recoveries	–	–	(1,529)	(42)	(40)	–
Excess/(Deficiency) of Revenue over Expenses	**10,623**	**54,867**	**150,694**	**(109,524)**	**82,309**	**180,037**
Fund Surplus/(Deficit)–Beginning of Year	(112,841)	(102,218)	(47,351)	103,343	(6,181)	76,128
Fund Surplus/(Deficit)–End of Year	**(102,218)**	**(47,351)**	**103,343**	**(6,181)**	**76,128**	**256,165**

- raise future PBGF revenue by increasing assessments in 2012;
- extend the eligibility period for covering new plans and benefit improvements from three to five years; and
- strengthen pension-funding rules.

Although the government had taken steps to place the PBGF on a more stable financial footing, we believed that the PBGF still did not meet the criteria to retain its "trust" status, given a history of government funding and the likelihood that this dependency would continue. In our opinion, if the government must step in periodically to provide financial resources to an organization, it cannot be considered a "trust" for accounting purposes, as the intent of the accounting standard is to allow only financially independent trusts to be excluded from a government's financial statements.

Accordingly, we concluded that the PBGF's financial position and fiscal results should be included in the province's consolidated financial statements. However, we also concluded that the impact of excluding the PBGF from the consolidated financial statements was not enough to cause those statements to be materially misstated.

The government's strategy to enhance the PBGF was implemented with the passage of Regulation 466/11 effective January 1, 2012, which did the following:

- raised the base annual fee per Ontario plan beneficiary (active members, retired members and other beneficiaries) from $1 to $5;
- raised the maximum annual fee per Ontario plan beneficiary in unfunded pension plans from $100 to $300;
- eliminated the $4 million assessment cap for unfunded pension plans;
- introduced a minimum annual assessment of $250 for every pension plan covered; and
- eliminated the exemption for small pension plans.

Given these changes, the PBGF is better positioned to cover its claims without requiring further government assistance. As of March 31, 2013, the PBGF reported a surplus of over $250 million. This improved financial condition is more consistent with the PBGF's designation as a trust for accounting purposes. The risk that the province will have to fund a deficit in the PBGF, as it has historically done, has been reduced as a result of the measures taken and fewer claims. Accordingly, we accept the exclusion of the PBGF from the province's consolidated financial statements at this time, and will continue to monitor its affairs.

While this build-up of reserves is encouraging, considerable risk remains given the PBGF's history and the precarious state of many of the defined benefit plans in the province. Another economic downturn could threaten its sustainability once again, although, as mentioned earlier, the PBGF's liabilities are limited to its assets under the Act.

Use of Legislated Accounting Standards

As discussed in our *2012 Annual Report*, some Canadian governments have begun to legislate specific accounting treatments in certain circumstances rather than applying independently established accounting standards. This includes the Ontario government, which several times in recent years has passed legislation or amended regulations to enable it to prescribe accounting policies for its public-sector entities.

We raised concerns about this practice in our *2008 Annual Report*, warning that it was a troubling precedent to adopt accounting practices through legislation rather than through an independent, consultative process such as that followed by the Public Sector Accounting Board (PSAB). Although these legislated accounting treatments have not yet resulted in the province's consolidated financial statements materially departing from PSAB standards, the risk of such a material misstatement in future has increased. The following is a chronological synopsis of these developments:

- The *Investing in Ontario Act, 2008,* and related regulations allowed the government to provide additional transfers to eligible recipients from unplanned surpluses reported in its consolidated financial statements. Any transfers made under this act would be recorded as an expense of the government for that fiscal year irrespective of PSAB accounting standards.
- In the 2009/10 fiscal year, the *Education Act* was amended to allow the government to prescribe accounting standards for Ontario school boards to use in preparing their financial statements.
- In the 2010/11 fiscal year, the *Financial Administration Act* was amended to allow the government to specify accounting standards to be used by any public or non-public entity whose financial statements are included in the province's consolidated financial statements.
- In 2011, a regulation under the *Financial Administration Act* directed Hydro One, a fully owned Ontario government business enterprise, to prepare its financial statements in accordance with U.S. generally accepted accounting principles effective January 1, 2012. The government has since provided the same direction to another fully owned government business enterprise, Ontario Power Generation Inc. (OPG). American accounting rules allow rate-regulated entities such as Hydro One and OPG to defer current expenses for recognition in future years; the government's direction to adopt these U.S. rules came in anticipation of the planned Canadian adoption of International Financial Reporting Standards (IFRS), which do not allow for such deferrals.
- Ontario government regulations now require transfers for capital acquisitions and transfers of tangible capital assets to be accounted for by transfer recipients as deferred contributions. The deferred amounts are to be brought into revenue by transfer recipients at the same rate as they recognize amortization expense on the related assets. We have historically supported this accounting as we believe that it best reflects the economic reality of the underlying transactions and in most instances complies with generally accepted accounting principles. However, many stakeholders are interpreting PSAB standards differently in this area, so the government felt it prudent to regulate and require this treatment.
- The authority to dictate accounting standards was further supported in the *Strong Action for Ontario Act (Budget Measures), 2012*, amending the *Financial Administration Act* again. These amendments provided the government with full authority to make regulations regarding the accounting policies and practices used to prepare its consolidated financial statements.

To maintain its financial credibility, we believe it is crucial that Ontario continue to prepare its financial statements in accordance with generally accepted accounting standards, specifically those recommended by PSAB.

As the auditor of these statements, the Auditor General is required to opine on "whether the consolidated financial statements of Ontario, as reported in the Public Accounts, present fairly information in accordance with appropriate generally accepted accounting principles (GAAP)." If the government's reported deficit or surplus under legislated accounting standards is materially different than what it would be under GAAP, we will have no choice but to include a reservation in the Auditor General's audit opinion. Our Office has been able to issue "clean" opinions on the government's financial statements for the past 20 years. I sincerely hope that this will continue to be the case.

Financial Reporting Frameworks and Canadian Auditing Standards

CPA Canada's Auditing and Assurance Standards Board (AASB) has recently worked to harmonize Canadian auditing standards with international standards issued by the International Auditing and Assurance Standards Board (IAASB). New Canadian auditing standards reflecting this harmonization were issued effective for audits of financial statements for periods ending on or after December 14, 2010.

Through these recent standards, the AASB adopted, with appropriate Canadian modifications, standards that address the form and content of an independent auditor's report. Under the former Canadian standards, most auditor's reports indicated whether financial statements were presented fairly in accordance with Canadian generally accepted accounting principles. This standard wording helped ensure that the report's meaning was clear to knowledgeable users of financial statements.

However, the new Canadian auditing standards provide a number of different acceptable frameworks for the preparation of financial statements. As described in Figure 10, a financial reporting framework now may be general purpose or special purpose, and reflect either a fair presentation or a compliance presentation.

The standards do not specify a particular framework as being acceptable for general-purpose financial statements. Acceptable reporting frameworks not only include financial reporting standards of an established standard-setting organization such as the Public Sector Accounting Board (PSAB) or the Accounting Standards Board (AcSB) of CPA Canada but also accounting standards established by law or regulation, or standards established by industry organizations.

In our *2008 Annual Report* we alerted readers to this expansion in acceptable reporting frameworks, warning that it would provide governments with a mechanism for establishing accounting policies that could result in financial statements that were not fairly presented. We also noted that the province and its public-sector entities could follow legislated accounting policies to prepare their general-purpose financial statements that were not in accordance with generally accepted accounting standards and still obtain an independent auditor's report without reservations.

Generally, if a financial reporting framework established by a law or regulation does not conflict with the standards established by an independent standard-setting organization, then that framework will not affect the independent auditor's report provided on financial statements prepared under that framework. However, if the legislated financial reporting framework departs from generally accepted accounting standards, a number of issues arise. We believe users of government and

Figure 10: Financial Reporting Frameworks Under Canadian Auditing Standards

Source of data: CPA Canada Auditing and Assurance Standards Board

	General Purpose	Special Purpose
Fair presentation	• Meets the common needs of a wide range of users • Complies with an accounting framework (GAAP—full compliance with PSAB)	• Meets the needs of specific users • Complies with a special-purpose framework (GAAP or non-GAAP) • Explicit deviation from an accounting framework to achieve fair presentation of financial statements
Compliance presentation	• Meets the common needs of a wide range of users • Complies with a non-GAAP accounting framework (i.e., requirements of legislation and/or regulation)	• Meets the needs of specific users • Complies with a special-purpose framework (i.e., internal guideline)

public-sector-entity financial statements need to be aware of these issues.

Until the 2010/11 fiscal year, all public-sector entities in Ontario used a reporting framework that was in accordance with Canadian generally accepted accounting principles (GAAP). However, Ontario's school boards now prepare their financial statements using a legislative accounting framework rather than a GAAP framework and receive an auditor's report indicating whether the statements comply with the legislated framework. There is no longer a statement in the auditor's report that the financial statements are "fairly presented." Two of Ontario's electricity-sector entities—Hydro One and OPG—also now prepare their financial statements under legislation that requires them to use U.S. rather than Canadian GAAP. Their auditors provided them with an auditor's report without reservation, as allowed under Canadian Auditing Standards.

To date, these departures from PSAB and CPA Canada AcSB standards for preparing Ontario public-sector-entity financial statements have not had a material impact on the province's deficit, its net debt or its accumulated deficit. Accordingly, they have not affected our report on the province's consolidated financial statements.

However, users of public-sector financial statements may not even realize when public-sector entities are not complying with Canadian accounting standards, because audit reporting standards do not require this to be specifically disclosed. Instead, users must now carefully review the wording of auditor's reports and examine the notes to any public-sector entity financial statements to understand the accounting basis on which the financial statements have been prepared.

We believe that accounting standards recommended by Canadian independent standard-setters should form the basis for the preparation of not only the province's consolidated financial statements, but the financial statements of all other public-sector organizations. Financial statements prepared on such a basis are credible, consistent and comparable, enhancing their usefulness. Allowing preparers to choose to adopt their own accounting standards could undermine these attributes. It could also negatively affect the transparency, credibility and, accordingly, usefulness of the resulting financial statements.

For that reason, most Canadian governments use PSAB standards in preparing their annual budgets, printed estimates, economic updates and year-end consolidated financial statements. When governments use the same set of accounting standards to prepare key financial reports, the public can evaluate expected financial performance against actual results and against the results of other jurisdictions. PSAB standards are intended to help governments publicly demonstrate stewardship over the resources they manage, and thereby strengthen accountability to taxpayers.

MINISTRY RESPONSE

The government agrees that the choice of appropriate accounting standards is important to ensure that consistent and transparent financial reporting and fiscal accountability is sustained throughout Ontario's public sector. In 2010, in response to PSAB's changes to accounting standards applicable to public-sector entities, Ontario undertook an extensive stakeholdering exercise in collaboration with the Office of the Auditor General, ministries, and their respective agencies and sectors to facilitate entity-level decisions on their appropriate basis of accounting. As a result, the government believes that financial reporting by Ontario's public sector is now more consistent and comparable and better supports transparency and accountability in public-sector reporting.

At that time, significant uncertainty existed regarding PSAB's direction for government transfer accounting standards. In response, the government provided direction to school boards and other consolidated entities on the implementation of capital transfer accounting in order to preserve consistency and comparability with the province's accounting policies and practices. This direction, together with the PSAB standard, has significantly enhanced consistency and transparency in public reporting.

The government's direction to Hydro One and OPG to adopt U.S. GAAP effectively reflects the economic substance of rate-regulated activities on a basis consistent with Canadian GAAP and helped to avoid inconsistencies in reporting by the province's energy utilities that would have resulted if IFRS had been adopted as originally directed by PSAB. The AcSB has since deferred the mandatory adoption date for rate-regulated entities to implement IFRS while standard setters address rate-regulated accounting.

Future Accounting Standards

Accounting standards specify how and when transactions and other events are to be recognized, measured and disclosed in financial statements. To be objective and credible, accounting standards are best established by an independent, recognized professional body using a comprehensive, open and transparent standard-setting process. The Public Sector Accounting Board (PSAB) is responsible for establishing accounting standards for the public sector. PSAB standards represent generally accepted accounting principles for governments in Canada and are the primary source of guidance for public-sector accounting.

PSAB emphasizes due process in the development of accounting standards and attempts to ensure that the views of all interested parties are heard and considered. This helps maintain the objectivity of the standard-setting process. In developing or revising an accounting standard, PSAB generally follows seven steps:

- agenda setting;
- project planning;
- task force recruitment (optional);
- development and publication of a statement of principles or other similar document (optional);
- review of responses to the statement of principles or other similar document, and development and publication of an exposure draft supported by an issues analysis;
- review of responses to the exposure draft, and development and publication of a standard supported by a basis for conclusions document; and
- procedures after standards are issued.

PSAB also strives to ensure that all new accounting standards are consistent with its conceptual framework. A financial reporting conceptual framework is a coherent set of interrelated objectives and fundamentals that can support the development of standards that appropriately prescribe the nature, function and limits of financial accounting and reporting. The conceptual framework is the foundation on which generally accepted accounting standards are established by standard-setting bodies such as PSAB. It sets out the concepts that underlie the preparation and presentation of financial statements.

THREE SIGNIFICANT ACCOUNTING ISSUES

Canada is generally regarded as a world leader with respect to the consistent application of public-sector accounting standards. However, maintaining this leadership role will not be without challenges. In recent years, some Canadian governments, including Ontario, have raised concerns over a number of PSAB's accounting and financial reporting proposals.

In the next section, we discuss three areas—financial instruments, rate-regulated accounting and government transfers—where these concerns have been raised.

Financial Instruments

PSAB's project to develop a new standard for reporting financial instruments began in 2005. Financial instruments include debt and derivatives such as currency swaps and foreign-exchange forward contracts. A key financial instrument issue is whether changes in the fair value of derivative contracts held by a government should be reflected in its financial statements and, in particular, whether such changes should affect the government's annual surplus or deficit.

In March 2011, PSAB approved a new standard on financial statements effective for governments for fiscal periods beginning on or after April 1, 2015, and effective for most other public-sector entities for fiscal periods beginning on or after April 1, 2012. The standard provides guidance on the recognition, measurement, presentation and disclosure of government financial instruments, and is similar to existing private-sector standards. One of its main requirements is for certain financial instruments, including derivatives, to be recorded at fair value, with any unrealized gains or losses recorded annually in a new financial statement.

Some Canadian governments, including Ontario's, do not support the introduction of these fair-value remeasurements and the recognition of unrealized gains and losses on derivative holdings. Ontario's view is that it uses derivatives solely to manage foreign currency and interest-rate risks related to its long-term-debt holdings and that it has both the intention and ability to hold its derivatives until the debts associated with them mature. Accordingly, remeasurement gains and losses would offset each other over the period that any derivative is held and therefore would have no real economic impact on the government's long-term resource inflows or outflows. The government argues that recording paper gains and losses each year would force the province to inappropriately report the very volatility the derivatives were acquired to avoid in the first place. This, in its view, would not reflect the economic substance of government financing transactions and does not meet the public's needs for transparent information on government finances.

The government was also concerned that entities included in the province's consolidated financial statements were required to adopt the standards before the province was. However, PSAB's 2013 decision to allow all first-time adopters to delay implementing the new standard until April 1, 2015, addressed that concern. Nevertheless, some public-sector entities whose results do form part of the consolidated financial statements of the province did adopt the standard.

PSAB has committed to reviewing this standard later this year, noting that it may need revision to address issues identified in its Concepts Underlying Financial Performance project.

MINISTRY RESPONSE

Ontario and other senior Canadian governments continue to be concerned with the potential negative impacts of PSAB's new standards on foreign currency translation and financial instruments. As a result, PSAB has been requested to extend the implementation date for these standards to allow governments to fully assess and prepare for the associated requirements. Such an extension will also allow PSAB an opportunity to address outstanding issues with the standards and to take into account the results of its work on its Concepts Underlying Financial Performance project.

Rate-regulated Accounting

Over the past few years, we have raised concerns about the appropriateness of recognizing rate-regulated assets and liabilities in the government's consolidated financial statements. Rate-regulated accounting practices were developed to recognize the unique nature of regulated entities such as electricity generators, transmitters and distributors.

Under rate-regulated accounting, a government-established regulator, such as the Ontario Energy Board, approves the prices that a regulated entity may charge customers, and often allows regulated entities to defer for accounting purposes certain costs for recovery in future periods. Such deferred costs are typically set up as assets on the entity's statement of financial position. Under normal generally accepted accounting principles, these significant costs would be expensed in the year incurred.

Ontario's electricity sector includes two significant provincially owned organizations—OPG and Hydro One—that use rate-regulated accounting. The use of rate-regulated accounting by certain rate-regulated entities, while still allowed under Canadian generally accepted accounting principles, is now under review by the Accounting Standards Board (AcSB).

PSAB standards allow OPG and Hydro One, which are defined as government business enterprises, to be included in the province's consolidated financial statements without adjusting their accounting policies to remove the impact of rate-regulated accounting. And the numbers are significant—for example, OPG recognized $1.9 billion in rate-regulated assets and $36 million in rate-regulated liabilities (according to Canadian generally accepted accounting prinicples) as of March 31, 2013. We have accepted this accounting treatment even though we question whether rate-regulated assets and liabilities meet the definition of *bona fide* assets or liabilities for the purposes of the government's consolidated financial statements.

In recent Annual Reports we have commented that the era of rate-regulated accounting appeared to be ending for jurisdictions such as Canada that were converting to International Financial Reporting Standards (IFRS). Our comments were based on the fact that, in January 2012, Canada's AcSB reaffirmed that all government business enterprises should prepare their financial statements in accordance with IFRS for fiscal years beginning on or after January 1, 2012. IFRS standards do not currently permit rate-regulated accounting.

However, the landscape has continued to change. The United States has not adopted IFRS and therefore continues to allow rate-regulated accounting. Partly in an effort to reconcile U.S. generally accepted accounting principles with IFRS, in March 2012 Canada's AcSB granted a one-year extension, to January 1, 2013, to the mandatory IFRS changeover date for entities with qualifying rate-regulated activities. In September 2012, it granted an additional one-year extension, to January 1, 2014.

At the time of drafting this Annual Report, the deferral of the mandatory IFRS changeover date for entities with qualifying rate-regulated activities had been extended again to January 1, 2015. In May 2013, the AcSB issued an exposure draft proposing to incorporate a new standard on regulatory deferral accounts based on a recently issued International Accounting Standards Board (IASB) exposure draft. The exposure draft proposes an interim standard for use by first-time adopters of IFRS with activities subject to rate regulation until the IASB completes its comprehensive rate-regulated activities project, which could take several years.

Ontario's Ministry of Finance (Ministry) contends that rate-regulated accounting has an impact on the government's fiscal policy decisions. The Ministry also contends that the province's rate-regulated assets and liabilities might meet PSAB standards without reference to any of the rate-regulated provisions from Canada's AcSB. As the Ministry is aware, we do not agree with this position. Since the government controls both the regulator and the regulated entities in question, it has significant influence on which electricity costs the regulated entities will recognize in any given year, which could ultimately impact electricity rates and the government's annual deficit or surplus.

With the uncertainty regarding rate-regulated accounting, the government passed a regulation in 2011 allowing for and subsequently directing both Hydro One and OPG to prepare their financial statements in accordance with U.S. generally accepted accounting principles, which allow for rate-regulated accounting, as discussed above. We are concerned about the possible effect of the inclusion of these financial statements on the province's March 31, 2015, and subsequent consolidated financial statements, as it is unclear what the AcSB will have decided at that time regarding rate-regulated accounting in Canada.

MINISTRY RESPONSE

The province accounts for rate-regulated electricity costs reported by Hydro One and OPG in accordance with PSAB standards in preparing its consolidated financial statements. Given the original direction from PSAB for government business enterprises such as Hydro One and OPG to follow IFRS, rate-regulated accounting would not have been possible. In response, the government directed Hydro One and OPG to follow U.S. GAAP to allow the entities to account for their rate-regulated assets and liabilities on a basis consistent with historical Canadian GAAP. With the standard-setters' subsequent deferral of this issue, the province's decision was consistent with actions taken by both the Canadian Securities Administrators and the Ontario Securities Commission, which enabled rate-regulated utilities to submit their financial statements on a U.S. GAAP basis until 2014. The government continues to look forward to standard-setters appropriately resolving this issue.

Transfer Payments

PSAB's Government Transfers project began a number of years ago to address several accounting issues related to monetary transfers from one level of government to another, including the following:

- appropriately accounting for multi-year funding provided by one government to another;
- clarifying the authorization needed for transfers to be recognized by both the transferor and transferee;
- clarifying the degree to which stipulations imposed by a transferring government affect the timing of transfer recognition in the accounts of both the transferring and recipient governments; and
- appropriately accounting for transfers that are to be used to acquire or construct tangible capital assets.

After substantial discussion, the issuing of several documents for comments and consideration of respondents' views, PSAB approved a new standard on government transfers in December 2010, effective for fiscal years beginning on or after April 1, 2012.

One of the most difficult areas PSAB had to address in developing the standard was how recipients should account for multi-year transfers. If the federal government makes a lump-sum transfer near the end of a fiscal year to a province to fund services over several years, the question arises as to whether the province should immediately recognize the full amount of the grant as revenue or whether it should recognize the revenue over the years it funds provincial services. A similar issue arises with respect to capital transfers from the province to other entities such as school boards and hospitals. A number of stakeholders held the view that capital transfers should be recognized as revenue when the recipient government incurs the expenditures making it eligible to receive the grant. However, other stakeholders held that such transfers should be brought into revenue over time as the tangible capital asset acquired or constructed with the transferred funds is used to provide public services.

The new standard generally recommends that recipients should recognize a government transfer as revenue when it has been authorized and the recipient has met all eligibility criteria. However, this requirement does not apply when the transferring government creates a liability for the recipient government by imposing stipulations on the use of the transfer, or specifies actions the recipient needs to take to keep the transfer. The standard also specifies that actions and communications by the recipient that restrict the use of transferred funds for a specific purpose can create a liability. To meet PSAB's liability definition, there must be no discretion to avoid it, there must be a future outflow of economic resources to settle it, and it must be the result of past transactions and events. Whether the facts and circumstances surrounding a particular transfer support the recognition of a liability is a matter of professional judgment. If a transfer is deemed to create a liability for the recipient government, the transfer is deferred and recognized as revenue as the liability is settled over time.

Rather than enhancing consistency and comparability in accounting for government transfers, the new standard appears to be creating confusion. Its requirements are very broad and open to interpretation, resulting in significant differences in its application. This is a significant concern, because transfers are usually a significant government activity and can have a great impact on reported results. In the 2012/13 fiscal year, Ontario recorded transfer-payment expenses in excess of $50 billion and transfer revenue from the federal government of over $21 billion.

Many stakeholders have asked PSAB to consider amending the transfers standard because of inconsistencies in interpretation and application. This includes a request signed by all members of the Canadian Council of Legislative Auditors in 2013. PSAB discussed the matter and is of the view that more empirical evidence is needed before it will consider amending the standard.

One significant area where consensus has been difficult to reach is accounting for transfers received to fund the acquisition or construction of tangible capital assets. Depending on the circumstances, such transfers might be recognized as revenue when received, when the asset has been acquired or constructed, or over the service life of the asset.

While we acknowledge the controversy over this new standard, we believe that it supports initially accounting for both government transfers and external contributions as deferred capital contributions, with both being recorded as revenue over the useful life of the related tangible capital assets based on transfer stipulations and recipient actions and communications. As such, we agreed with $5.6 billion in deferred capital contributions being recorded in the province's March 31, 2013, consolidated financial statements ($5.1 billion in 2011/12).

Public Sector Accounting Board Initiatives

This section outlines some additional items the Public Sector Accounting Board (PSAB) has been studying over the last year that may impact the preparation of the province's consolidated financial statements in the future.

CONCEPTS UNDERLYING FINANCIAL PERFORMANCE

PSAB's existing conceptual framework is a set of interrelated objectives and fundamental principles that support the development of consistent accounting standards. Its purpose is to instill discipline into the standard-setting process to ensure that accounting standards are developed in an objective, credible and consistent manner. PSAB formed the Conceptual Framework Task Force (Task Force) in April 2011 in response to concerns raised by several governments regarding current revenue and expense definitions, which they contend result in volatility in reported results and distort budget-to-actual comparisons. The Task Force's objective is to review the appropriateness of the concepts and principles in the existing conceptual framework for the public sector.

The Task Force issued its first consultation paper in August 2011 to seek input from stakeholders on the key characteristics of public-sector entities and their accounting and reporting implications. Respondents to the exposure draft were in general agreement with its key proposals. In October 2012, the Task Force issued a second consultation paper focused on measuring financial performance in public-sector financial statements. It sought input on the following:

- the objective and context of public-sector financial reporting;
- who public-sector entities are accountable to, and what they are accountable for;
- how the provision of information in financial statements can help to demonstrate those accountabilities; and
- alternative models of measuring financial performance.

Input received from the two consultation papers will be considered in drafting a statement of principles that PSAB intends to issue in March 2014.

IMPROVEMENTS TO NOT-FOR-PROFIT STANDARDS

The AcSB and PSAB recently initiated a project to improve accounting standards for not-for-profit organizations, including government not-for-profit organizations. These standards are followed by many organizations funded by the Ontario government. In April 2013, the Joint Not-for-Profit Task Force established to lead this project issued a statement of principles containing 15 proposed principles, the most significant of which were the following:

- contributions received would be immediately recognized as revenue, unless the terms of the contribution give rise to an obligation meeting the definition of a liability;
- financial statement presentation for government not-for-profit organizations would follow the same standards as for governments and other government organizations. This would require the presentation of net-debt indicators, a statement of net debt and enhanced budget information; and
- government not-for-profit organizations would adopt public-sector standards for capitalizing, amortizing, writing down and disposing of tangible capital assets.

The task force is seeking comments by December 15, 2013. The next step in this project is expected to be the release of an exposure draft for public comment.

RELATED-PARTY TRANSACTIONS

PSAB's Related-Party Transaction project is aimed at issuing a new accounting standard that defines related parties in the context of the public sector and describes their measurement and disclosure requirements. Such disclosures allow users to assess the effect that related-party transactions have on a reporting entity's financial position and financial performance. An exposure draft issued in September 2012 proposed the following:

- Related parties would include entities that control or are controlled by a reporting entity, entities under common control, and entities with shared control over or subject to shared control of a reporting entity.
- Individuals who are members of key management personnel and close members of their family are included as related parties; however, disclosure of management compensation arrangements, expense allowances and other similar routine payments would not be not required.
- Disclosure would be required only when transactions and events between related parties have or could have a material effect on the financial statements.
- Related-party transactions other than contributed goods and services would be recognized by both parties. Contributed goods and services may be recognized or disclosed by the reporting entity.
- Related-party transactions would be recorded at the exchange amount, which could be the carrying amount, the consideration paid or received, or fair value. If the exchange amount differs from the carrying amount, the gain or loss would be recognized.

Due to concerns raised in the responses to this exposure draft, PSAB issued a re-exposure draft in June 2013 with significant revisions:

- Entities may be related when management of the reporting entity or their close family members also manage another entity.
- Related-party transactions would be measured at the carrying amount, unless:
    - they are in the normal course of operations; or
    - a recipient's future economic benefits or service potential is expected to change significantly as the result of the transaction. In these cases, the transaction would be measured at the exchange amount.
- Preparers could apply the proposed standard retroactively or prospectively.

PSAB requested comments to the re-exposure draft by September 4, 2013.

REVENUE

Revenue recognition is fundamental to government financial reporting as it has a direct impact on the surplus or deficit it reports. Current public-sector accounting standards provide general guidance on revenue recognition and disclosure, with specific standards that address taxes and government transfers. PSAB has recognized the need for guidance applicable to a broader range of types of revenue common in the public sector, such as fines and penalties, royalties, licence fees and other fees, and sales and rental income. It issued a statement of principles on revenue for public comment in August 2013 and is seeking comments by February 3, 2014.

Statutory Matters

Under section 12 of the *Auditor General Act*, I am required to report on any Special Warrants and Treasury Board Orders issued during the year. In addition, section 91 of the *Legislative Assembly Act* requires that I report on any transfers of money between items within the same vote in the Estimates of the Office of the Assembly.

LEGISLATIVE APPROVAL OF EXPENDITURES

Shortly after presenting its budget, the government tables expenditure estimates in the Legislative Assembly outlining, on a program-by-program basis, each ministry's spending proposals. The Standing Committee on Estimates (Committee) reviews selected ministry estimates and presents a report on this review to the Legislature. The estimates of those ministries that are not reviewed are deemed to be passed by the Committee and are so reported to the Legislature. Orders for Concurrence for each of the estimates reported on by the Committee are then debated in the Legislature for a maximum of two hours before being voted on.

After the Orders for Concurrence are approved, the Legislature still needs to provide the government with legal spending authority by approving a *Supply Act*, which stipulates the amounts that can be spent by ministry programs, typically those detailed in the estimates. Once the *Supply Act* is approved, the individual program expenditures are considered to be Voted Appropriations. The *Supply Act, 2013*, which pertained to the fiscal year ended March 31, 2013, received Royal Assent on April 23, 2013.

The *Supply Act* does not typically receive Royal Assent until after the start of the fiscal year—and sometimes even after the related fiscal year is over—so the government usually requires interim spending authority prior to its passage. For the 2012/13 fiscal year, the Legislature passed the *Interim Appropriation for 2012-2013 Act, 2012* (Interim Act). The Interim Act received Royal Assent on June 20, 2012, and authorized the government to incur up to $114.8 billion in public service expenditures, $4.3 billion in investments, and $197 million in legislative office expenditures. The Interim Act was made effective as of April 1, 2012.

The Interim Act provided the government with sufficient authority to allow it to incur expenditures from April 1, 2012, to when the *Supply Act, 2013,* received Royal Assent on April 23, 2013. The spending authority provided under the Interim Act was intended to be temporary, and it was repealed when the *Supply Act, 2013,* received Royal Assent. The *Supply Act, 2013,* also increased total authorized expenditures of the legislative offices from $197 million to $199.6 million.

SPECIAL WARRANTS

If the Legislature is not in session, section 1.0.7 of the *Financial Administration Act* allows for the issuance of Special Warrants authorizing the incurring of expenditures for which there is no appropriation by the Legislature or for which the appropriation is insufficient. Special Warrants are authorized by Orders-in-Council and approved by the Lieutenant Governor on the recommendation of the government.

No Special Warrants were issued for the fiscal year ended March 31, 2013.

TREASURY BOARD ORDERS

Section 1.0.8 of the *Financial Administration Act* allows the Treasury Board to make an order authorizing expenditures to supplement the amount of any voted appropriation that is expected to be insufficient to carry out the purpose for which it was made. The order may be made only if the amount of the increase is offset by a corresponding reduction of expenditures to be incurred from other voted appropriations not fully spent in the fiscal year. The order may be made at any time before the government books for the fiscal year are closed. The government considers the books to be closed when any final adjustments arising from our audit have been made and the Public Accounts have been published and tabled in the Legislature.

Even though the *Treasury Board Act, 1991*, was repealed and re-enacted within the *Financial Administration Act* in December 2009, subsection 5(4) of the repealed act was retained. This provision allows the Treasury Board to delegate any of its duties or functions to any member of the Executive Council or to any public servant employed under the *Public Service of Ontario Act, 2006*. Such delegations continue to be in effect until replaced by a new delegation. Since 2006, the Treasury Board has delegated its authority for issuing Treasury Board Orders to ministers to make transfers between programs within their ministries, and to the Chair of the Treasury Board for making program transfers between ministries and making supplementary appropriations from contingency funds. Supplementary appropriations are Treasury Board Orders in which the amount of an appropriation is offset by a reduction to the amount available under the government's centrally controlled contingency fund.

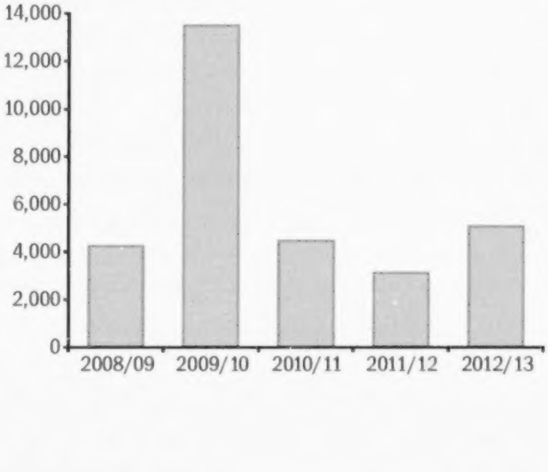
Figure 11 summarizes the total value of Treasury Board Orders issued for the past five fiscal years.

Figure 12 summarizes Treasury Board Orders for the fiscal year ended March 31, 2013, by month of issue.

According to the Standing Orders of the Legislative Assembly, Treasury Board Orders are to be printed in *The Ontario Gazette*, together with explanatory information. Orders issued for the 2012/13 fiscal year are expected to be published in *The Ontario Gazette* in December 2013. A detailed listing of 2012/13 Treasury Board Orders, showing

Figure 11: Total Value of Treasury Board Orders, 2008/09–2012/13 ($ million)

Source of data: Treasury Board



the amounts authorized and expended, is included as Exhibit 4 of this report.

TRANSFERS AUTHORIZED BY THE BOARD OF INTERNAL ECONOMY

When the Board of Internal Economy authorizes the transfer of money from one item of the Estimates of the Office of the Assembly to another item within the same vote, section 91 of the *Legislative Assembly Act* requires that we make special mention of the transfer(s) in our Annual Report.

Accordingly, Figure 13 shows the transfers made within Vote 201 with respect to the 2012/13 Estimates.

UNCOLLECTIBLE ACCOUNTS

Under section 5 of the *Financial Administration Act*, the Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize an Order-in-Council to delete from the accounts any amounts due to the Crown that are the subject of a settlement or deemed uncollectible. The amounts deleted from the accounts during any fiscal year are to be reported in the Public Accounts.

In the 2012/13 fiscal year, receivables of $395.8 million due to the Crown from individuals and non-government organizations were written off. (The comparable amount in 2011/12 was $816.4 million.) The writeoffs in the 2012/13 fiscal year related to the following:

- $92.1 million for uncollectible retail sales tax ($382.2 million in 2011/12);
- $86.5 million for uncollectible receivables under the Student Support Program ($114.1 million in 2011/12);
- $60.4 million for uncollectible corporate tax ($155.8 million in 2011/12);
- $48 million for uncollectible receivables under the Ontario Disability Support Program ($86.3 million in 2011/12);
- $44.7 million for uncollectible loans from pulp and paper companies ($0 in 2011/12);
- $15.1 million for uncollectible employer health tax ($48.9 million in 2011/12);
- $13.2 million for uncollectible forestry royalties ($0 in 2011/12); and
- $35.8 million for other tax and non-tax receivables ($29.1 million in 2011/12).

Volume 2 of the 2012/13 Public Accounts summarizes the writeoffs by ministry.

Under the accounting policies followed in the preparation of the province's consolidated financial statements, a provision for doubtful accounts is recorded annually against accounts receivable balances. Accordingly, most of the writeoffs had already been expensed in the government's consolidated financial statements. However, the actual writeoff in the accounts required Order-in-Council approval.

Figure 12: Total Value of Treasury Board Orders by Month Relating to the 2012/13 Fiscal Year

Source of data: Treasury Board

Month of Issue	#	Authorized ($ million)
April 2012–February 2013	72	2,428
March 2013	36	1,969
April 2013	12	421
July 2013	2	270
Total	**122**	**5,088**

Figure 13: Authorized Transfers Relating to the Office of the Assembly, 2012/13 Fiscal Year ($)

Source of data: Board of Internal Economy

From:		
Item 3	Legislative Services	(26,400)
Item 4	Information and Technology Services	(18,200)
To:		
Item 2	Office of the Clerk	9,900
Item 5	Administrative Services	21,900
Item 6	Sergeant at Arms and Precinct Properties	12,800

Chapter 3

Reports on Value-for-money Audits

Our value-for-money (VFM) audits are intended to examine how well government ministries, organizations in the broader public sector, agencies of the Crown and Crown-controlled corporations manage their programs and activities. These audits are conducted under subsection 12(2) of the *Auditor General Act*, which requires that the Office report on any cases observed where money was spent without due regard for economy and efficiency or where appropriate procedures were not in place to measure and report on the effectiveness of service delivery. Where relevant, such audits also encompass compliance issues. Essentially, VFM audits delve into the underlying operations of the ministry program or organization being audited to assess both their cost-effectiveness and the service level the public is receiving. This chapter contains the conclusions, observations and recommendations for the VFM audits conducted in the past audit year.

The ministry programs and activities and the organizations in the broader public sector audited this year were selected by the Office's senior management on the basis of various criteria, such as a program's or organization's financial impact, its perceived significance to the Legislative Assembly, related issues of public sensitivity and safety, and the results of past audits and related follow-up work.

We plan, perform and report on our value-for-money work in accordance with the professional standards for assurance engagements established by the Chartered Professional Accountants of Canada (formerly the Canadian Institute of Chartered Accountants), which encompass value for money and compliance work. They entail conducting the tests and other procedures that we consider necessary, including obtaining advice from external experts when appropriate.

Before beginning an audit, our staff conduct in-depth research into the area to be audited and meet with auditee representatives to discuss the focus of the audit, including our audit objectives and criteria. During the audit, staff maintain an ongoing dialogue with the auditee to review the progress of the audit and ensure open lines of communication. At the conclusion of the audit fieldwork, which is normally completed by late spring of that audit year, significant issues are discussed with the auditee and a draft audit report is prepared. Then senior Office staff meet with senior management from the auditee to discuss the draft report and the management responses to our recommendations. In the case of organizations in the broader public sector, discussions are also held with senior management of the funding ministry.

Once the content and responses for each VFM audit report are finalized, the VFM audit reports are incorporated as sections of this chapter of the Annual Report.

Ministry of Children and Youth Services

Section 3.01 Autism Services and Supports for Children

Background

Autism spectrum disorder (commonly known as autism) covers a range of neurological developmental disorders characterized by difficulties with social interaction and communication, repetitive behaviours and/or a range of cognitive deficits. The presence of symptoms and the degree of impairment vary from individual to individual; some people with autism have severe intellectual disabilities while others are high-functioning. This disorder is lifelong and has a significant impact on families and caregivers. Nonetheless, experts believe that treatment and support, especially through early intervention services, can help improve the functional abilities of affected individuals.

The prevalence of autism has been increasing. Whether this is due to a rise in the incidence of autism or a rise in the number of people being diagnosed is unclear. At the time of our audit, no statistics were available on the prevalence of autism in Canada or Ontario as a whole. But a March 2012 report by the National Epidemiologic Database for the Study of Autism in Canada indicated that the prevalence rate in southeastern Ontario was 1 in 77 in 2010, up from 1 in 190 in 2003. A similar upward trend has been reported in the United States. The Centers for Disease Control and Prevention (CDC) reported that autism affected 1 in 88 children in 2008, up from 1 in 150 in 2000. More recently, the CDC reported results from a 2011/12 public survey that show that autism affects 1 in 50 children aged 6 to 17. In fact, statistics released by the CDC and the U.S. Data Resource Center for Child and Adolescent Health indicate that autism is being diagnosed in children more often than juvenile diabetes, cancer and AIDS combined. Using the latest available prevalence rates provided by the CDC for 2008 and by the National Epidemiologic Database for the Study of Autism in Canada for 2010, we estimated that approximately 30,000 to 35,000 children with autism were living in Ontario at the time of our audit.

Children with autism may access a variety of services and supports, such as speech therapy, occupational therapy and mental health services. These programs are funded by various ministries, including the Ministry of Children and Youth Services, the Ministry of Education, and the Ministry of Health and Long-Term Care, and are accessible to all children who qualify. Our audit focused primarily on services and supports funded by the Ministry of Children and Youth Services (Ministry) exclusively to children with autism.

The Ontario Health Insurance Plan does not cover autism services and supports. However, although not legislated to do so, the Ministry has since the year 2000 funded various services and supports for eligible children with autism up to age 18 and their families. Two significant components of what is funded are the Autism Intervention Program (AIP), which provides intensive behaviour intervention (IBI) services, and applied behaviour analysis (ABA)-based services. For a comprehensive list of autism-specific services and supports funded by the Ministry at the time of our audit, see Figure 1.

Ministry-funded autism services and supports are delivered to children in Ontario through approximately 90 community- or hospital-based agencies. These agencies are usually not-for-profit organizations. Some agencies also provide other services such as mental and family health services, and hence may receive funding from other government ministries and programs. The Ministry's nine regional offices are responsible for overseeing program delivery by agencies, and the Ministry's corporate office is responsible for policy development and program design.

In the 2012/13 fiscal year, transfer payments for autism services and supports comprised almost all program expenditures, and totalled approximately $182 million.

Our Office reviewed the AIP in 2004 at the request of the Standing Committee on Public Accounts (Committee). Our review and the subsequent hearings of the Committee examined a number of questions and concerns, including cost effectiveness, service hours, and program performance.

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry has adequate procedures in place to manage a system of cost-effective autism services that are accessible to children up to age 18 with autism and their families, and to monitor that transfer payments are controlled and commensurate with the amount and value of services provided. Senior ministry management reviewed and agreed to our audit objective and associated audit criteria.

Our audit work was conducted primarily at the Ministry's corporate office, at three of its nine regional offices, and at selected service providers in those regions. We reviewed and analyzed relevant files, program and financial data, and administrative policies and procedures. We also interviewed appropriate ministry and agency staff. To gain insight on how other jurisdictions administer autism services, we reviewed studies and reports from elsewhere in Canada, the United States, and select Commonwealth countries. We also met with representatives from Autism Speaks Canada and Autism Ontario, and an autism expert in the province to get their perspectives on autism services in Ontario. In addition, when designing our audit procedures, we considered comments from parents submitted to us directly or published. To determine how schools are trying to meet the needs of students with autism, we interviewed superintendents and relevant staff responsible for special education in four school boards in the three regions we visited. We also engaged two independent advisers from other jurisdictions who have expert knowledge on autism to assist us.

Summary

Autism is becoming more prevalent in Ontario and in other parts of the world. In response to the increased demand for autism services and supports for children, the Ministry of Children and Youth Services (Ministry) has quadrupled autism funding over the last decade by increasing funding to its existing primary service—intensive behaviour intervention (IBI)—and introducing several new programs such as applied behavioural analysis (ABA)-based services and respite services. In this way, the Ministry has been able to provide service to more children with autism and their families.

Figure 1: Autism Services and Supports Funded by the Ministry of Children and Youth Services

Prepared by the Office of the Auditor General of Ontario

Autism Services and Supports	Purpose/Description	Start Date	# Served in 2012/13	2012/13 Transfer Payments ($ million)	% of Total Transfer Payments for Autism Services and Supports
Autism Intervention Program (AIP)	Provides assessment, child and family supports, intensive behaviour intervention (IBI), and transition supports for children diagnosed with an autism spectrum disorder (ASD) toward the severe end of the spectrum.	2000	2,000 children	115.4	64
Applied behaviour analysis (ABA)-based services	Provides time-limited skill-building services to children with ASD to improve communication, social/interpersonal, daily living and behavioural/emotional skills, with relevant parent support.	2011	6,200 children	25.0	14
School Support Program (SSP)	ASD consultants (153 in 2012/13) assist educators (e.g., school board staff, education assistants and teachers) in publicly funded school boards to better understand how children with ASD learn and how the principles of ABA can help improve their learning.	2004 for SSP	77,300* educators	25.0	14
	ASD consultants also provide child-specific consultation and support to the Connections for Students model (a joint initiative involving the Ministry of Education and the Ministry of Children and Youth Services). In Connections, multi-disciplinary transition teams support children who are transitioning from IBI services to publicly funded schools. The transition team supports the child starting six months before leaving AIP until six months after leaving AIP and entering or continuing in school.	2007 for Connections (fully implemented in March 2010)	1,250 children served in Connections		
Respite services	Provides temporary relief for families caring for a child with ASD while providing meaningful opportunities for the children to sustain their skill development and participate in community activities. Services include in-home respite, out-of-home respite and seasonal camps.	2007/08	8,100* children	7.8	4
Intervention services covered outside the regular program	Provides funding to families for IBI services on a negotiated basis outside the regular system.	2004	47 children	2.6	1
Potential program	Provides one-to-one supports, including parent networking opportunities, training, and access to ASD experts and resources. Administered by Autism Ontario.	2006/07	6,800 parents/caregivers	2.5	1
Transition services	Targeted for children with ASD transitioning into adolescence and secondary school. The service priorities are crisis intervention, behavioural supports and/or skill-based training.	2006/07	1,000 children	1.5	1
Other	Includes reimbursement of tuition costs for AIP employees who pursue relevant education programs, funding for parent networking opportunities and resources through Autism Ontario, ABA registry, and local support in the South West region through the Windsor Regional Children's Centre.	Various	Various	2.1	1
Total				**181.9**	**100**

* These may not be unique individuals.

Nevertheless, there are more children with autism waiting for government-funded services than there are children receiving them.

IBI is the province's primary method of therapy, but it is not being offered to the children for whom it is likely to make the most difference. Although scientific research shows that children with milder forms of autism have better outcomes with IBI, the program is currently available only to those children assessed as having more severe autism. Research also indicates that children who start IBI before age 4 do better than those who start after age 4. However, due to long wait lists for IBI services, children are not typically starting IBI until almost age 7 in Ontario. According to experts, early diagnosis and treatment of autism might reduce the need for more supports and services later on in life. The Ministry needs to re-evaluate its program design in order to maximize outcomes for all children served.

Although the Ministry formed an expert panel in December 2012 that will provide advice on some of the more contentious issues involving IBI (such as benchmarks for continuation of or discharge from this type of therapy), and recently introduced an independent review mechanism for when families disagree with service providers' decisions on IBI eligibility or discharge, more work may be needed.

Some of our other more significant observations include the following:

- We estimated that children with autism are diagnosed in Ontario at a median age of a little over 3 years. This is later than the recommended 18-to-24-month screening period endorsed by the Canadian Paediatric Society for children with risk factors. As well, the median wait time for children with autism in the three regions we visited to access IBI services was almost four years. Over the last five years, the number of IBI spots has remained relatively constant at 1,400, while the number of children waiting for IBI services increased by 23%. This means that an increasing number of children are not able to access early intervention.
- ABA-based services, which constitute the only type of provincially funded therapy in Ontario available to children with mild to moderate forms of autism, might not be sufficient for those who have a host of behavioural problems or goals to achieve, because the program allows a child to work on only one goal at a time; it then requires that the family reapply if it wants the child to receive further ABA-based services, with the child returning to the bottom of the wait list after each ABA-based intervention.
- It is up to each lead service agency to decide how to allocate ministry funding between two IBI service delivery options: direct service, where the child receives service directly from a service provider at no cost; or direct funding, where the family obtains funding from a lead service agency to purchase private services on its own. Wait times for IBI services can differ significantly between the two options and among regions depending on how lead service agencies have allocated their funding and available capacity. In one region in 2012, the average wait for IBI services under the direct funding option was five months longer than the average wait under the direct service option. In another region, the situation was reversed.
- In general, children receiving IBI under the direct service option received fewer hours of therapy than they were approved for. For example, at two lead service agencies we visited, children who were discharged from IBI in 2012 had received a median of only 20 hours of therapy per week, even though they had been approved for at least 27 hours of service per week. The agencies told us that this was because they would "ramp up" to the full level of approved hours at the start of the service period and "ramp down" hours closer to the end of the service period, a practice not clearly explained in the program guidelines. We also noted that any missed or cancelled appointments by the child or the therapist could not

be made up at a later time. At the time of our visits, two of the three agencies were not tracking actual hours of IBI services received by children under the direct-funding option.

- Of the children discharged from IBI services in 2012/13 on a province-wide basis, those under the direct funding option received on average almost one year more of services than those under the direct service option (35 months versus 25 months). In fact, almost 25% of children under the direct funding option received more than four years of services compared to only 5% of children under the direct service option. The Ministry has not collected data that would indicate whether children's outcomes were better under one option compared to the other.
- Since 2006, the Ministry has reimbursed up to 60 individuals for a total of $21 million for the ongoing cost of IBI therapy outside of the regular service system. Per child, this represents more than double the amount that a child in the regular service system typically receives. Furthermore, some individuals were reimbursed for more than the maximum of 40 hours a week of service, as well as for expenses not directly related to their therapy. Expenses included holding fees to retain a spot with a therapist and the cost of trips and admission to local attractions. Children in the regular service system are not entitled to these.
- Both the Ministry of Children and Youth Services and the Ministry of Education have taken some actions to address the 34 recommendations contained in the 2007 document entitled "Making a Difference for Students with Autism Spectrum Disorders in Ontario Schools." However, more work is necessary to ensure that ABA methods are being effectively used to educate children with autism. Almost half of all schools boards reported in 2012 that they were not always incorporating ABA techniques into programs for students with autism. Only 38% of school boards reported that all their teachers who taught children with autism had participated in ABA training sessions. Furthermore, in light of the fact that many school boards have acquired their own expertise on teaching children with autism with funding from the Ministry of Education, the Ministry of Children and Youth Services needs to determine whether the $25 million it spends on Autism Spectrum Disorder consultants for training and consulting with teachers under the School Support Program is providing sufficient value.
- The Ministry was not collecting information that would be useful to help it monitor compliance with program guidelines or the quality of services provided.
- The Ministry has not collected information or set targets that can be used to assess program effectiveness and outcomes, even though it identified relevant performance measures to do so almost 15 years ago.

OVERALL MINISTRY RESPONSE

The Ministry of Children and Youth Services appreciates the work of the Auditor General and welcomes input on how it can further improve autism services in Ontario.

Since Ontario implemented its first autism program, the Ministry has increased funding for autism services and supports, from an initial investment of $14 million in 2000/01 to $182 million in 2012/13. New areas of research, approaches to diagnosis, prevalence rates and treatments for autism spectrum disorders (ASD) are continually emerging and shifting the autism service-delivery landscape. As well, children and youth with ASD are not a uniform group; their needs vary depending on the severity of their ASD, their cognitive functioning and their adaptive behaviours. The government is committed to providing responsive services and supports that are based on research evidence for this growing and diverse group of young people.

The Ministry continues to increase funding for direct treatment for children and youth with ASD, expand the range of services available, as well as increase support for families and training for service providers. These autism-specific services and supports are just some of the services that children with autism and their families can access. Some children with ASD may also access other services for children and youth with special needs, such as rehabilitation services, mental health services and respite programs.

In addition, the Ministry has taken the following steps:

- In December 2012, it established the ASD Clinical Expert Committee, an expert panel to provide the Ministry with clinical guidance on up-to-date, evidence-based research on autism that will help inform the design and administration of autism programs in Ontario.
- In August 2013, it began a review of autism services with a view to improving early identification, access to early diagnosis and intervention, efficiency of service delivery, and families' experiences with the AIP and ABA-based services.
- It has been collaborating with partner ministries to streamline access to services—specifically, supporting children transitioning from IBI to school since 2008/09; and supporting youth transitioning from school to adult developmental services, further education, employment and/or community living starting in 2013/14.

The Ministry is also planning to re-allocate $5 million to the AIP in the 2013/14 fiscal year to increase IBI spaces and consequently decrease wait lists. Most of the funds will be reallocated from the School Support Program.

Detailed Audit Observations

AUTISM STRATEGY

Canada does not have a national strategy on autism. In March 2007, a Senate committee recommended that the federal government establish a comprehensive national autism strategy in collaboration with the provinces and territories. However, no such strategy was developed because both consensus and evidence on autism-related issues was lacking. Instead, the federal government has chosen to address knowledge gaps by, among other things, funding research and associated initiatives.

Ontario does not have a provincial autism strategy. However, in May 2013, the provincial legislature passed a motion to create a select committee to work on a comprehensive developmental services strategy for Ontarians. This strategy is to address the needs of children and adults with a developmental disability, including autism, and to co-ordinate the delivery of developmental programs and services across many provincial ministries. In particular, the committee is expected to consider the following types of needs: educational, work related, social and recreational, and housing, as well as supports for parents such as respite care. The committee was established in October 2013 and is expected to present a final report in May 2014.

Other provinces, including Saskatchewan, Manitoba and Nova Scotia, have released autism action plans within the past five years. Most of these plans highlight the need for better access to professionals for more timely diagnosis, so that children with autism may receive interventions at a younger age. In addition, since 2008, many U.S. states have implemented autism plans that include partnerships between professionals and children's families, access to financing for services, early and continuous screening for autism, community services organized for easy use, and transition services for youth entering the adult system.

DIAGNOSIS

Numerous studies indicate that early intensive intervention can significantly enhance outcomes for children with autism. As a result, early diagnosis is key. Currently, there are no biological tests that can detect autism. Autism is usually diagnosed by behavioural evidence such as observing the child and/or obtaining a history on the child's development from parents, caregivers or speech-language pathologists. In Ontario, only those children who have been formally diagnosed with autism may apply for provincially funded autism services and supports. A family physician, psychologist or developmental pediatrician must provide the formal diagnosis. Since no data is collected by the Ministry of Children and Youth Services, the Ministry of Health and Long-Term Care or the Canadian Paediatric Society on the wait time to get such a diagnosis, we inquired at each of the three IBI service providers we visited. Based on their experience with children and families who are referred to their intervention services, they said the process to get a diagnosis could take three to 12 months, depending on where in the province someone lives.

The Canadian Paediatric Society endorses screening children for autism spectrum disorders between the ages of 18 and 24 months if a parent expresses developmental concerns or a child has risk factors, such as an older sibling with autism or problems with social or communication skills. The U.S. Centers for Disease Control and Prevention recommends that children be screened for autism at 18 months and again at 24 months.

The Ministry does not have data on the age at which children are first diagnosed, even though one of the objectives of the IBI program when it was announced in 1999 was to identify children with autism by age 3 in order to maximize their opportunities for early learning. However, service providers maintain data on the age of referral to their services. Based on the assumption that a child will be referred for IBI therapy soon after diagnosis, the age at time of diagnosis should approximate the age at time of referral to autism services. We calculated the median age at time of referral for all children on the wait list for IBI services at the end of February 2013 in the three regions we visited and found it to be 38 months.

ACCESS TO INTERVENTION SERVICES

The Ontario government funds two types of autism intervention services or therapies—intensive behaviour intervention (IBI) and applied behaviour analysis (ABA)-based services. According to the Ministry, IBI focuses on improving the rate of a child's learning and his or her progression across a broad range of skill areas, while ABA-based services focus on mastering specific skills, often one at a time, and learning to apply them in everyday settings. These services are available to children up to their 18th birthday. Some children qualify for both types of interventions. Figure 2 describes the differences between IBI and ABA-based services as offered in Ontario.

Intervention services are delivered by community agencies. The Ministry has selected nine lead service agencies to deliver IBI services and 13 lead service agencies to deliver ABA-based services. Lead service agencies may subcontract with other service providers to help deliver services in their region/area. Lead service agencies are responsible for all aspects of service delivery, including clinical decisions regarding eligibility, service intensity and duration, and time of discharge; wait list management; and transition support. The Ministry has developed program guidelines for both IBI and ABA-based services. The Ministry's nine regional offices are responsible for monitoring service agencies to ensure they conform to these guidelines.

Families whose children are accepted in the IBI program have a choice between two service delivery options.

- *Direct service option:* The Ministry provides funding directly to the lead service agencies, which hire therapists for children with autism, and provide ancillary services such as parent training and resource material. There is no cost to the recipient.

- *Direct funding option:* The lead service agency determines the number of approved hours of service to which a child is entitled and funds parents $39 per hour to purchase private IBI services. The lead agency must approve the private IBI provider selected by

Figure 2: Comparison of Intensive Behaviour Intervention (IBI) and Applied Behaviour Analysis (ABA)-based Services

Prepared by the Office of the Auditor General of Ontario

	IBI Services – Start Date 2000	ABA-based Services – Start Date 2011
Service description	IBI is an intensive application of ABA to teach new skills. It involves a step-by-step process that teaches language, social interaction, play, fine motor skills and self-help skills. Each skill is broken down into its simplest components and then taught through constant repetition and reinforcement. The goal is to create pathways in the child's brain to support normal functioning.	ABA uses methods based on scientific principles of learning and behaviour to promote positive behaviours and reduce problematic ones. ABA-based services provide time-limited skill-building services to children with autism. These services are intended to improve communication, social/interpersonal, daily living and behavioural/emotional skills. Parents learn the strategies taught to their children and can incorporate these techniques into daily activities.
Treatment delivery mode	Primarily one to one.	Primarily group-based.
Setting	Primarily service-provider location or home. Children usually receive services when other children are in school; some children may attend school part-time.	Primarily service-provider location or community (e.g., grocery store, public transit). Children receive services after school or on weekends.
Intensity and duration	20–40 hours per week, delivered for 2–3 years.	2–4 hours per week, delivered for 2–6 months.
What happens at the end of service block	Child is discharged. Reapplication is not permitted.	Child is discharged, but may reapply to further develop skills or to address new needs.
Who provides this service	The Ministry contracts with 16 service providers (9 lead service agencies and 7 additional agencies in the 2 regions with the largest demand for service). Some service providers subcontract with other providers to deliver IBI.	The Ministry contracts with 13 lead service agencies who partner with over 40 subcontractors to deliver ABA-based services and supports.
Who is eligible	Children at the severe end of the autism spectrum, as determined by the lead service agencies.	All children with an autism diagnosis.
Number of children discharged from service in 2012/13	675	6,500
Number of children receiving services in 2012/13	2,000	6,200
Number of children waiting for services on March 31, 2013	1,700	8,000
Age of children in service	Median age is 7; 90% are aged 10 and under (as of October 2012).	Median age is 8; 90% are aged 14 and under (as of June 2012).
Average provincial cost per child	$56,000 per year	$2,800 per block of service

the parent. If the private service provider charges more than $39 per hour, the parent pays the difference.

The IBI lead service agencies administer both service delivery options and determine the number of spots available for each option in their region. At the time of our audit, about 60% of IBI recipients had chosen the direct service option. Although families under the direct funding option may be required to pay out-of-pocket expenses, we were told that those who choose this option do so because they may not wish to switch from the private provider they started with while waiting for government-funded services or because it gives them more control over scheduling sessions.

Eligibility for Intervention Services

Although a child might be diagnosed with autism, ministry guidelines restrict IBI services to children up to the age of 18 whose autism is more severe. By comparison, children with autism in most other provinces are eligible for IBI services regardless of severity, but only until they start school.

Eligibility assessments are conducted by clinical staff and approved by the clinical director at each lead service agency. Clinical staff usually include therapists with either a community college diploma, university undergraduate degree or graduate degree in psychology or a related field. Clinical directors are required to have a doctoral degree in psychology and to be registered or eligible for registration with the College of Psychologists of Ontario. Ministry guidelines require that eligibility be assessed within four to six weeks after an IBI referral is received.

Our analysis of ministry data for the period 2009 to 2012 showed that IBI service providers declined almost 1,900, or 34%, of assessed IBI applicants. In the service providers' opinion, 74% of the declined applicants did not have severe autism, 24% were not expected to benefit from IBI, and the remaining 2% did not have autism, contrary to the physician's diagnosis. In December 2012, the Ministry introduced an independent review mechanism where parents can appeal when their child is assessed to be ineligible for service.

One-quarter of children who apply for IBI are declined services because their autism is not considered severe enough. Research suggests that these children would do better with IBI. For example, a 2005 study found that treatment outcomes for IBI were best predicted by pretreatment language skills, social responsiveness and the ability to mimic others. Similarly, a 2010 study concluded that better IBI treatment outcomes are linked to, among other things, children who initially had higher adaptive behaviour abilities. Further, the results from a 2006 study commissioned by the Ministry appear to lend support to this research. Although the study was of children with severe autism only, it did find that children in this group who were initially higher functioning made the most progress. In particular, 57% of the children in the higher-functioning group achieved average functioning or had substantial improvement, compared to only 7% of the lower-functioning children. This highlights that IBI is potentially more effective when a child is already higher functioning to begin with.

Based on our discussion with service providers and a review of their data, we noted the following:

- The Ministry does not collect data on the length of time between referral and eligibility assessment, so we obtained and analyzed data from two of the three regional service providers we visited. For children who began receiving IBI services in 2012, 75% of them were assessed within six weeks in one region, whereas in the other region only 28% were assessed within six weeks. We could not use data from the third region we visited because, contrary to ministry guidelines, children were placed on the wait list before a diagnosis of autism was confirmed, and as a result eligibility assessments were delayed until a firm diagnosis was obtained. The data from this service provider did not indicate which children had a confirmed versus provisional diagnosis.

- The Ministry does not mandate (a) a common assessment tool or combination of assessment tools or (b) the intake criteria that clinicians should use to determine IBI eligibility. The agencies we visited use anywhere from four to seven tools to assess eligibility, of which two tools are common to all three agencies. Clinicians use their professional judgment when determining whether a child is eligible for IBI. Research indicates that the choice of assessment tools is not straightforward, given the wide range of ability that children with autism have.
- One expert we spoke to told us that on occasion the condition of a child who was assessed as ineligible for IBI may worsen over time and become more severe. Based on our discussion with clinical directors, children are not usually re-evaluated if they didn't meet the IBI eligibility criteria on the first try, unless the child's development changes. However, neither the Ministry nor the lead service agencies had any criteria or guidelines to indicate how significant a child's change in development would have to be in order to warrant a re-evaluation.

Wait Information

After being formally diagnosed, children with autism generally have to wait to access Ministry-funded autism services. For example, although half the children with autism in the three regions we visited are diagnosed by just over 3 years of age, more than 75% of children don't actually start IBI until after they turn 6. Similarly, about two-thirds of children who start ABA-based therapy are 6 and older. Children assessed as eligible are placed on the wait list based on the date they are initially referred to the program. During the time a child is on the wait list, Ministry-funded agencies offer some support to families (such as parent education and consultation). Children with autism might also be waiting for government-funded speech and occupational therapy. This has led to a situation where families with financial means can acquire private services for their children while they wait for government-funded services, but other families are unable to.

Waiting for IBI Services

In the five-year period ending December 2012, the IBI wait list has grown from 1,063 to 1,748. The regions of Central East (covering York and Durham regions, Barrie, and Peterborough), Hamilton–Niagara, and Toronto account for 80% of the increase in the wait list.

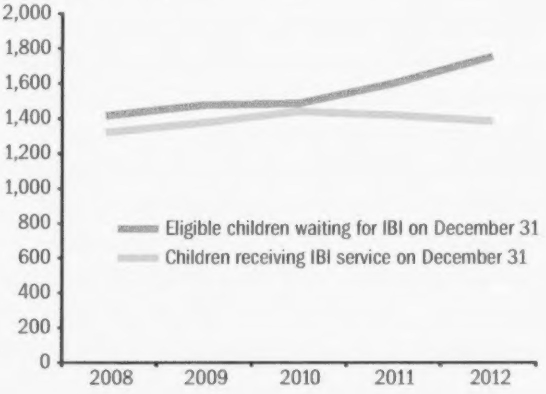
As seen in Figure 3, from 2008 to 2012, more children were waiting for IBI services than were receiving services. The number of IBI spots remained relatively constant at 1,400 during this time, while the number of children waiting for IBI services increased by 23%.

The Ministry does not track how long children wait for IBI services, but it did advise us that it will start collecting data in 2013/14 to calculate average wait times. We obtained and analyzed wait-time data—that is, the length of time from referral to starting IBI—from the three regions we visited and noted that the median wait time for IBI services in 2012, for all three regions combined, was 3.9 years.

It is up to lead service agencies to decide how to allocate ministry funding between the direct

Figure 3: Number of Children Waiting for, and Receiving, Intensive Behaviour Intervention Service, 2008–2012

Source of data: Ministry of Children and Youth Services



service option and the direct funding option, and wait times for IBI services can differ between the two depending on how lead service agencies have allocated their funding. In one region in 2012, the average wait for IBI services under the direct funding option was five months longer than the average wait under the direct service option. In another region, the situation was reversed. The agencies involved said it is a challenge to find the appropriate mix of spots for each service delivery option because of the pressure to alter their clinical capacity to meet ever-changing demand.

The last time the Ministry significantly increased funding for IBI services in order to reduce the wait list was in 2007/08, when funding was increased by almost 30%, or $21.5 million. This resulted in a 25% increase in the number of children receiving services as of March 2008 compared to the same time the year before. However, there was no reduction in the wait list; in fact, the wait list increased by 17% because the increase in service demand continued to surpass the increase in capacity.

Since our last review in 2004, the Ministry has made efforts to increase and retain the number of therapists providing IBI services. Between 2004/05 and 2009/10, the Ministry provided $3.2 million to the Ontario College Graduate Program in Autism and Behaviour Science to train almost 1,000 new IBI therapists; between 2007/08 and 2009/10, the Ministry provided $1.3 million to train over 400 IBI therapists to deliver services under the direct funding option model; and between 2005/06 and 2012/13, the Ministry paid $3 million in tuition reimbursements to 350 employees delivering services under the direct service option model who were upgrading their credentials. Despite these efforts to enhance system capacity, service providers in the three regions we visited told us that, while they have no problem recruiting IBI therapists, they do have trouble recruiting and retaining qualified senior therapy staff to supervise them, and therefore have on occasion filled these more-senior clinical positions with less-qualified people.

We were informed anecdotally that some children with persistent parents were able to access services more quickly than others who had been placed on the wait list before them. To assess the risk that some children may have received preferential treatment in accessing services, we analyzed wait lists in the three regions visited and compared the order of children's start dates for IBI services with the order of their referral dates. However, because the documentation maintained by the agencies in this area was not clear, we could not determine definitively whether any preferential treatment had been given at the agencies we visited. In addition, there may be some legitimate reasons for out-of-sequence starts. For instance, there are cases where children are better suited to the type of delivery mode that becomes available (group session versus one-on-one), or where children are transferred from another area of the province and the original referral date is honoured.

Waiting for ABA-based Services

ABA-based services were fully implemented in Ontario in February 2012. Based on province-wide data collected by the Ministry, the wait list for such services almost tripled within one year—from 2,800 as of March 2012 to 8,000 as of March 2013—as more people became aware of the services. Children who started services in the 2012/13 fiscal year waited an average of 2.4 months to begin ABA-based therapy. But the average wait time varied across regions from three weeks (Eastern region) to over six months (Hamilton–Niagara region).

PROVISION OF INTERVENTION SERVICES

Intensity and Duration of Service

Numerous studies have examined the relative effectiveness of IBI intervention at varying degrees of intensity. In general, the more intense the therapy, the greater the gains in functionality.

According to IBI program guidelines, children may be eligible to receive up to 40 hours of IBI services per week, with the expectation that the number of hours will generally fall within the range of 20 to 40 hours per week (in other words, about four to eight hours per day, five days a week). The approved hours are determined by clinicians at the lead service agencies. Each quarter, the Ministry collects data on the average number of approved hours for children receiving services, as well as the highest and lowest number of approved hours from each IBI lead service agency. Based on our review of ministry data for children receiving IBI services in 2012, we noted the following:

- Children were approved for an average of 23 hours of therapy per week.
- The average approved amount of therapy across regions ranged from 21 to 27 hours per week, regardless of the service delivery option. In general, that difference translates to an extra day of therapy each week.
- Only one region approved the maximum of 40 hours per week, and that was under the direct funding option. Under the direct service option, none of the regions approved more than 35 hours of service a week.

The Ministry does not collect data on the actual IBI hours provided. In addition, at the time of our audit only one of the three service providers we visited tracked actual hours of therapy for children receiving services from private providers (direct funding option), even though they approve the invoices. Based on our review of actual IBI service hours under the direct service option, as recorded by two regional agencies, children who were discharged in 2012 received a median of 20 hours of therapy per week over their entire course of treatment, even though they had been approved for 27 and 30 hours, respectively, at the two agencies. The agencies told us that this was because they would "ramp up" to the full level of approved hours at the start of the service period and "ramp down" hours closer to the end of the service period. In the middle period of service, additional hours were not provided to compensate for the ramp-up and ramp-down. One expert we consulted told us that ramping up was common practice to ease the child into therapy, and ramping down was less common but could be appropriate for allowing a child to start transitioning to school. The practice of ramping hours up or down is not clearly explained in the program guidelines, other than to state that the clinical director or supervising psychologist can modify a child's hours upon reviewing his or her progress at regular intervals.

Children might also be receiving fewer hours of service than they have been approved for because of cancelled therapy sessions. The program guidelines state that service hours lost, because either the child or the therapist was unable to attend the appointment, cannot be made up at a later time. In our 2004 autism review for the Standing Committee on Public Accounts (Committee), the service providers we reviewed were providing significantly fewer hours of service on average than the suggested minimum of 20 hours. In November 2006, the Ministry informed the Committee that all service providers were required to track lost service hours and that the Ministry would meet with lead service agencies to develop a more standardized approach to define lost service hours across the province. The Ministry further indicated that agencies had been asked to track lost service hours, but the Ministry did not receive that data. We followed up with the lead service agencies we visited, and found that one agency was not aware of this requirement and had not been tracking lost service hours. The other two agencies were tracking lost hours only for those served under the direct service option. In this case, lost service hours due to unavailable staff accounted for 10% of approved hours at the one agency and 5% of approved hours at the other. In any case, the Ministry was not monitoring lost service hours or the reasons for them.

We also noted that, for the 675 children discharged during the 2012/13 fiscal year, on a province-wide basis, those under the direct funding option received Ministry-funded IBI services for longer periods than those under the direct service option, as shown in Figure 4. Significantly more

Figure 4: Percentage of Children Receiving Different Durations of IBI Services Under Each Service Delivery Option

Source of data: Ministry of Children and Youth Services

	Direct Service Option (%)	Direct Funding Option (%)
≤1 year	22	19
>1–2 years	33	19
>2–3 years	31	23
>3–4 years	9	16
>4 years	5	23

Note: Percentages are based on files for children discharged from IBI in the 2012/13 fiscal year.

children under the direct funding option received services for longer than four years as compared to children under the direct service option. On average, children under the direct funding option received IBI services for 35 months, whereas children under the direct service option received IBI services for 25 months—a difference of almost one year. The Ministry had not followed up on these differences.

In addition, the average length of time in IBI varied across the province for both service delivery options, as shown in Figure 5. For example, the average length of service obtained under the direct service option was 15 months in the Eastern region compared to 34 months in the Central East region. The average length of service under the direct funding option ranged from 11 months in the Northern region to 49 months in the South West region.

We also noted circumstances where children did not receive IBI therapy once they got to the top of the wait list. Two of the lead service agencies we visited told us that they reassess children for suitability once they get close to the top of the wait list because their functionality sometimes changes during the wait period. Both agencies said that if a child is determined to be unsuitable for IBI upon reassessment, they encourage parents to seek other services, such as ABA-based services. In 2012, approximately 20% of the children in one region and 30% in another region who had got to the top of the wait lists were deemed unsuitable for IBI therapy and referred to other services. The agencies told us anecdotally that the children had more often been found unsuitable because they met or exceeded the skills-set that IBI is meant to teach. However, neither agency systematically tracked the reasons children were found to be unsuitable at time of reassessment or analyzed whether the children had participated in private therapy or other types of interventions that could explain their change in functionality.

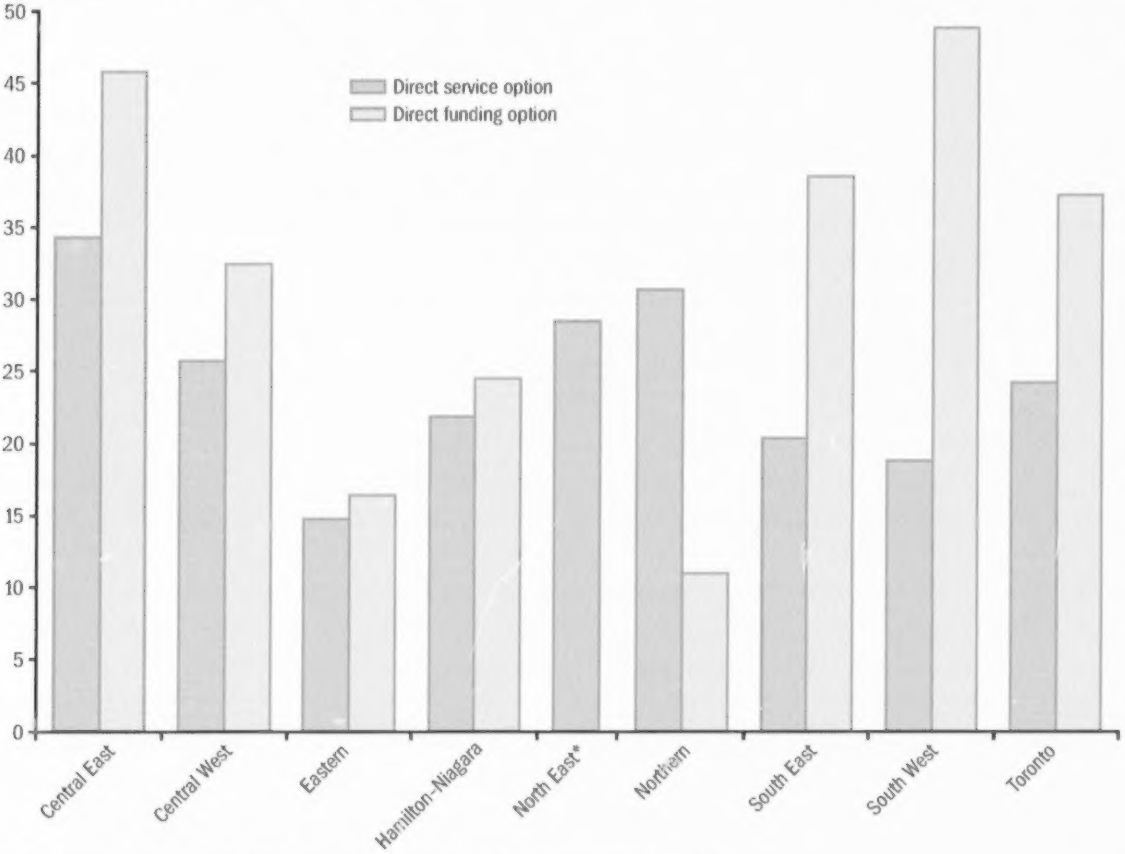
ABA guidelines indicate that services typically will be provided for two to six months and for two to four hours per week. Although the Ministry collects data on the length of time children who have been discharged from ABA-based services spent receiving them, it does not collect data on the number of hours of services they received per week to compare against recommended guidelines. We obtained data from service providers in the three regions we visited on children who were discharged from ABA-based services from inception in 2011 to December 2012, and found the data to be unreliable for analyzing both the duration and intensity of services provided.

Discharge Decision

According to the Ministry, agency staff and stakeholder groups, one of the main complaints from families in the three regions we visited was disagreement with the discharge decision. The Ministry informed us that the decision to discharge a child from IBI therapy is a clinical one made by the lead service agency in each region, regardless of whether the child receives services provided by a lead service agency or private services paid by the Ministry. Between 2006 and 2012, more than 3,500 children in Ontario were discharged from IBI services as follows: 70% no longer needed IBI, 8% declined services, 3% moved out of region, and 19% for other reasons. To understand what "no longer needed IBI" means, we sampled a number of files in the regions we visited and found that discharge reasons could include: benefits from IBI

Figure 5: Average IBI Duration in Months for Children Discharged During 2012/13, by Region and Service Delivery Option

Source of data: Ministry of Children and Youth Services



*This region does not have any direct funding option clients due to a lack of private providers in the region.

have been maximized, IBI has not been effective in changing developmental level, IBI has been effective and child will benefit more from learning in a natural environment, and child has not made any significant progress since last assessment.

Over the years, attempts have been made to establish consistent provincial discharge or "continuation" criteria. The first set of clinical continuation criteria was developed in 2006 by clinical directors in service agencies but was not finalized. Instead, in November 2007, the Ministry assembled an expert panel to determine "clinical practice guidelines." Subsequently, the Ministry struck another panel to arrive at benchmarks for the newly developed guidelines. These benchmarks were presented to the Ministry in September 2008. In March 2010, the Ministry hired a consultant to conduct a pre-implementation review of the benchmarks, but the consultant found that there was not enough information in the clinical files to be able to conclude on the benchmarks. Although it has spent $330,000 to date, the Ministry has not concluded on discharge criteria. Other jurisdictions do not need discharge criteria given that their services usually end when children reach a specified age.

In October 2012, the clinical directors of the IBI programs agreed on and approved a common set of discharge criteria, which are more comprehensive than previous benchmarks. The three lead service agencies we visited indicated that they would be implementing these revised criteria in their regions. But at the time of our audit, each was following different discharge criteria, which included a combination of the updated clinical continuation criteria from 2006 and the 2008 clinical practice benchmarks. However, we also noted that the region that uses benchmarks indicated it would refer to them on a case by-case basis, and clinicians would apply professional judgment in making discharge decisions.

In December 2012, the Ministry formed yet another expert panel to, among other things, provide advice on whether benchmarks are appropriate for IBI discharge/continuation decisions. At the time of our audit, the committee was expected to report back to the Ministry in October 2013.

Also in December 2012, as mentioned previously, the Ministry introduced an independent review mechanism, empanelled by a roster of independent reviewers managed by an external agency, to be used when families disagree with the service providers' decision on eligibility or discharge. We were informed that reviewers will use their clinical judgment to rule on whether the decision made by the original IBI service provider was consistent with the information noted in the child's file.

At the time of our audit, the Ministry told us that there has been and continues to be disagreement among the expert community on whether there should be a consistent set of discharge criteria. However, without consistent criteria, there is no assurance that clinicians assessing the same child would reach the same decision on whether the child should continue or be discharged from IBI. Furthermore, there is a conflict, whether real or perceived, when the lead service agency is responsible for determining when services should end, while at the same time being responsible for managing wait lists and meeting targets for the number of people served.

RECOMMENDATION 1

To help ensure that children with autism and their families have earlier access to autism supports and services, the Ministry of Children and Youth Services (Ministry) should:

- work with the Ministry of Health and Long Term Care and the medical community to facilitate the identification and diagnosis of autism in children before age 3, in accordance with the original objective of the Ministry's intensive behaviour intervention (IBI) program; and
- monitor wait times as well as wait-list data across the province for both IBI services and applied-behaviour-analysis-based services.

To help improve program transparency and ensure equity of service in the best interests of the child, the Ministry should:

- ensure that clear eligibility, continuation and discharge criteria for IBI services are developed and are applied consistently, so that children with similar needs can access a similar level of services;
- ensure that service providers clearly specify, for every child, the reason that the child is discharged from the IBI program and report this information to the Ministry for analysis; and
- review the reasons for significant regional differences in the use of the direct service option and the direct funding option, and ensure that decisions on the capacity to provide each service are being made objectively.

MINISTRY RESPONSE

As part of a review of autism services initiated in August 2013, the Ministry is reviewing barriers to early identification, diagnosis, assessment and treatment with a view to identifying opportunities for improvement. After focused discussions with families, research experts, health and medical professionals, and inter-ministerial partners in education and health, the Ministry will develop a plan to improve early identification and access to diagnosis and assessment.

In 2013/14, the Ministry began collecting and monitoring data that allows it to track average wait times for children who began receiving services in the reporting period under the Autism Intervention Program (AIP) by either service delivery option, and under ABA-based services. The Ministry will consider collecting and monitoring wait-time data for children on the wait list.

The AIP guidelines clearly state that clinical directors, who oversee the provision of IBI services, are responsible for eligibility and discharge decisions. Clinical directors are regulated health professionals and are responsible for taking into account the individual goals of each child, using their clinical judgment and the most up-to-date research to make decisions.

In 2012, the Ministry established the Independent Review Mechanism to allow for arm's-length reviews of eligibility and discharge decisions. Independent reviewers, who are regulated health professionals, conduct reviews to determine whether the original AIP clinical decisions are consistent with the information in children's anonymized case file materials based on the AIP guidelines, up-to-date IBI research and their clinical judgment. As of mid-September 2013, independent reviews had been completed on 93 cases. In almost 90% of cases, reviewers were in agreement with the original decisions made by clinical directors in the AIP.

As the Auditor General has described, the Ministry has sponsored several attempts to develop consistent decision-making criteria for the AIP. However, specific decision-making criteria have not been implemented due to the results of an impact analysis on children receiving IBI and the emergence of continually evolving research. The Ministry established the Clinical Expert Committee to, among other things, provide clinical guidance on evidence-based research, including advice on clinical practice guidelines and benchmarks. The Committee will submit its report to the Minister in late fall 2013, at which time the Ministry will review the recommendations and consider next steps.

The Ministry currently collects some information related to discharge from the AIP, and will consider collecting additional information related to discharge.

The Ministry is aware that there are different levels of demand for the direct service option and the direct funding option in various parts of the province. Beginning in 2013/14, the Ministry started to collect distinct wait-time data for each service delivery option to help determine appropriate adjustments to program design. The wait-time data that the Ministry has now started to collect will allow the Ministry to measure agencies' success at matching their capacity to the demand for each service delivery option in their regions.

Appropriateness of Intervention Methods

Since IBI is available only to children whose autism is found to be toward the severe end of the spectrum, children with milder forms of autism qualify only for ABA-based services. However, service providers in the regions we visited told us that the ABA-based services might not be sufficient for those who have a host of behavioural problems or goals to achieve. The reason for this is that the ABA program allows a child to work on only one goal at a time and then requires that the family reapply if it wants the child to receive another ABA-based service. The child returns to the wait list in the meantime. Experts to whom we spoke indicated that these separate blocks of therapy do not work for correcting all types of behaviours, because gains made might be lost in between blocks. According to one expert, this approach will not work for some behaviour targets that are interrelated and that should therefore be worked on at the same time. Children with multiple behavioural problems likely require more intense support than is offered under the current ABA model.

Other methods of intervention that have been proposed to the Ministry include the following.

- In 2008, the Ministry commissioned an expert clinical panel to look into non-IBI interventions. The review concluded that there is sufficient evidence to recommend at least two focused interventions (Picture Exchange Communication System, which is an aid for people with autism and other special needs, and an intervention that focuses on facilitating attention skills) as part of a comprehensive program based on the developmental needs of the child. We asked the Ministry whether these methods had been adopted and were told that clinicians can use their judgment in deciding whether to complement ABA and IBI therapies with these two interventions.
- In June 2010, a working group made up of service providers from across the province recommended to the Ministry a model for an ABA-based continuum of services that included three levels of intervention depending on the child's needs. The model essentially includes the current ABA program, the IBI program and a "specialized ABA-based service" that would offer six to 12 months of individualized services for three to 12 hours per month to match the child's needs. However, the Ministry has not adopted this recommendation.

In December 2012, the Ministry formed a panel of experts to, among other things, identify effective interventions and treatments besides IBI and ABA-based services.

At the time of our audit, the Ministry was relying on parent training to provide parents with strategies to support their child's development and manage his or her behaviours at home as they await services, or to complement the strategies used by therapists. Parent workshops and parent training sessions are available under both IBI and ABA services; almost 40% of ABA service hours are provided to parents/caregivers. To further support parents/caregivers, the Ministry is developing a resource kit that would provide families of children diagnosed with autism with information about all stages of their child's progress and development. The goal of the resource kit is to increase understanding of autism and the range of programs and supports available.

RECOMMENDATION 2

To help ensure that children with autism have access to evidence-based interventions appropriate to their needs, the Ministry should consider the costs and benefits of offering additional types of therapies and interventions not currently provided, and existing interventions at various degrees of intensity.

MINISTRY RESPONSE

The Ministry agrees that children should have access to evidence-based interventions appropriate to their needs.

As noted, the Ministry established the Clinical Expert Committee to confirm that Ministry-funded autism programs continue to be consistent with the latest research findings. The Committee is examining evidence-based research on autism interventions and will provide the Ministry with advice to inform policy design and program development.

Intervention Services Funded Outside the Regular Program

Over the last seven years, the Ministry has reimbursed up to 60 individuals a total of $21 million for the cost of IBI therapy and other expenses, outside of the regular service system.

Over 40 of these individuals were still actively claiming IBI therapy and other costs as of March 31, 2013. These individuals, ranging from 14 to 25 years old, have not followed the regular IBI progress review process. As a result, the Ministry does not know whether their needs have changed or are significantly different from the needs of those funded through the regular program. These individuals have been receiving services for at least twice as long as children in the regular program. In addition, at the time of our audit over half were 18 years or older and hence would no longer qualify for any services offered by the Ministry. On several occasions, the Ministry had considered options for transitioning this group to mainstream programs (including adult services offered by the Ministry of Community and Social Services), but these plans were never implemented.

Some individuals' claims were processed by the Ministry and others by the lead service agencies in the regions where they reside. We noted that individuals whose claims were processed by the Ministry submitted (and were reimbursed for) higher-value claims than those whose claims were processed by the lead service agencies.

We reviewed all claims submitted for reimbursement by a sample of individuals in the 2011/12 and 2012/13 fiscal years to determine if claimants were reimbursed for the same type and level of services and at the same rates as those funded under the direct funding option. At the one service agency we visited, they were; but at the Ministry, they were not. Specifically, we noted that almost half of the individuals we sampled who had their claims processed by the Ministry were consistently reimbursed, over many months, for therapy beyond the maximum allowed 40 hours per week. In addition, the Ministry reimbursed expenses to which children under the regular government-funded program are not entitled, such as two months' worth of "holding fees," totalling about $6,500, to hold the individual's time slot with his or her therapist over the summer months; the purchase of a laptop computer; admission to local attractions; and travel costs incurred to fly in therapists for consultation.

RECOMMENDATION 3

To ensure that children with autism and their families receive an equitable level of service and support and to address existing inequities, the Ministry of Children and Youth Services should apply the same program guidelines to all those who meet the eligibility criteria.

MINISTRY RESPONSE

The Ministry agrees that children with autism and their families should be treated fairly and equitably. The Ministry will consider options for meeting this objective for families who receive funding outside the regular program.

AUTISM SERVICES AND SUPPORTS IN SCHOOLS

Children spend up to six hours a day in school, and this will start at younger ages as Ontario fully implements full-day kindergarten by September 2014. According to the Ministry of Education, in 2011/12 about 16,000 students in publicly funded schools had been formally identified with an autism spectrum disorder (ASD) by an Identification, Placement and Review Committee. There may be many others who have not been formally identified. As previously noted, most of these students will not have begun any therapy by the time they enter school.

Under the *Education Act*, schools are to provide appropriate supports to children with special needs, including autism, while also attending to the needs of the other children in the classrooms. Special education staff in school boards we interviewed told us that most children with autism are placed in regular classrooms; some are placed in special education classrooms along with students with other types of exceptionalities; and a very small number with significant behavioural problems are placed in segregated school settings with additional resources.

In September 2006, the Minister of Children and Youth Services and the Minister of Education assembled a group of experts to provide advice on improving school supports for children with autism. The group members were asked to identify successful education practices in Ontario and other jurisdictions; provide advice based on their background and expertise; and produce a report with recommendations to be presented to both ministers. The group's February 2007 report, "Making a Difference for Students with Autism Spectrum Disorders in Ontario Schools," contained 34 recommendations for province-wide implementation. The two ministries involved were responsible for implementing those recommendations that applied to them. The ministries provided us with actions they have taken on each recommendation. Some action has been taken on all recommendations. Notable actions are highlighted in Figure 6.

Autism Training for Educators

The Ministry of Children and Youth Services introduced the School Support Program (SSP) in 2004 to enhance supports available to publicly funded school boards for students with autism. The program is delivered by the same nine lead service agencies that deliver IBI services. It employs about 150 autism spectrum disorder consultants (ASD consultants) to provide training and consultation services to educators (school administrators, teachers and education assistants) to help them understand how the principles of ABA can be applied to improve the way that students with autism learn. The Ministry's program guidelines do not specify credentials for ASD consultants, other than to state that they require superior skills (knowledge of autism, ABA principles and behavioural teaching strategies) generally obtained through education and experience in a relevant field. In April 2012, agencies that deliver the SSP also launched a website to provide school boards with an online resource guide on effective educational practices for students with autism. Online resource tools are beneficial from the perspective that teachers and education assistants can access them when needed.

We noted the following concerns with the School Support Program:

- There were significant variances in the activities of ASD consultants across regions in the 2011/12 fiscal year. For example, the average number of service hours per consultant, for training, planning, consulting and

Figure 6: Notable Actions Taken on 2007 Report Entitled "Making a Difference for Students with Autism Spectrum Disorders in Ontario Schools"

Prepared by the Office of the Auditor General of Ontario

Ministry of Education
Implemented requirement that appropriate ABA teaching strategies be incorporated for students with autism.
Provided $37 million from 2006/07 to 2012/13 to school boards and the Geneva Centre for Autism for educator autism training.
Provided $45 million from 2008/09 to 2012/13 to school boards to hire professionals with ABA expertise to provide training in ABA teaching strategies and to enhance collaboration between service providers and schools.
Hosted ABA Professional Learning Days in March 2012 and May 2013 to promote the sharing of evidence-based resources and effective practices.
Ministry of Children and Youth Services
Implemented Connections for Students model, which uses transition teams to help children with autism move from IBI services to schools.
Funded a variety of support programs to help families care for children with autism, such as respite programs, March Break Reimbursement Fund, and summer camps.
Together with the Ministry of Education and the Ministry of Health and Long-Term Care, developed a shared vision for integrated speech and language services for children from birth to Grade 12 to enable seamless access to such services in a more timely and equitable manner. The proposed model is being tested at select sites since 2011.
Together with the Ministry of Education and the Ministry of Community and Social Services, is implementing integrated transition planning for young people with developmental disabilities starting in the 2013/14 school year.

resource development combined, ranged from 137 hours to 1,009 hours, and the average number of educators and support staff served by each consultant ranged from 177 to 1,321. We noted that of the three agencies we visited, only one could account for all of its consultants' time. The other two indicated that their ASD consultants worked part-time on SSP initiatives and spent their remaining time providing ABA-based services. In other words, service providers were using SSP funding to deliver ABA-based services, for which they had already been separately funded. The Ministry had not analyzed the information to identify the causes of such variances among regions, nor was it aware of the inappropriate use of SSP funding.

- The Ministry does not require service providers to survey all publicly funded school boards to determine how useful they found the services of the ASD consultants and whether the consultants met the needs of the school boards. Representatives from three of the four school boards we interviewed told us that they don't use Ministry-provided ASD consultants very much, because they have their own ABA expertise in-house, and as a result the consultant added little or no value.
- One school board told us that it preferred to pay for a commercial web-based autism resource tool for teaching strategies, rather than use the SSP's online resource tool at no charge. An expert we spoke to also highly valued the commercial tool. Prior to the development of the online resource tool, the Ministry had not instructed agencies to review whether existing commercial online resources could meet educators' needs.

The Ministry of Education has also introduced a number of initiatives in recent years to help educators teach students with autism. The most significant was the 2007 implementation of a policy to incorporate ABA methods into programs for students with autism and provide planning for the transition between various activities and settings. To support this policy, the Ministry of Education provided school boards with new funding ($11.3 million in 2012/13) to hire board-level professionals with ABA expertise to provide support, including coaching teachers on ABA techniques, and to enhance collaboration between service providers and schools. In addition, since 2006, the Ministry has provided $37 million to school boards and the Geneva Centre for Autism to provide autism training to educators. The Geneva Centre for Autism is an organization in Ontario that provides clinical intervention services and training programs.

We noted the following about the initiatives implemented by the Ministry of Education:

- In 2008, Autism Ontario surveyed parents of children with autism and found that 45% reported that ABA methods were never incorporated into programs for their children, and an additional 34% said ABA methods were incorporated only some of the time. The Ministry of Education has surveyed school boards annually on this same issue and has noted a slight improvement in this area. Specifically, in 2012, 56% of school boards reported that programs for students with autism always incorporated relevant ABA methods, compared to 51% in 2009.
- The Ministry of Education has recommended to school boards that staff with ABA expertise have the following competencies: postgraduate studies or equivalent field experience in autism and behavioural science; experience working with children and youth who have special education needs (particularly those with autism); and training in ABA principles from a recognized institution. However, the Ministry of Education did not ensure that school boards hired such staff with the recommended competencies.
- Neither the Ministry nor the Ontario College of Teachers (College), the body responsible for accrediting Ontario's teacher education programs, can provide specific data on the

amount and content of special education training currently provided by faculties of education under existing teacher education programs. Starting in September 2015, when all teacher education programs in Ontario are expanded to two years, they will include an enhanced focus on special education. The College, with input from the Ministry and others, will also be developing a guide for faculties of education with examples and details of expected course content. This is an opportunity for the Ministry to help ensure that future educators obtain the necessary knowledge to help school boards comply with the Ministry's 2007 policy on incorporating ABA methods into programs for students with autism.

- According to the Ontario College of Teachers, teachers who complete a qualification course about teaching students with communication needs and autism are exposed to ABA methods. But as of May 2013, only 500 of Ontario's 234,000 teachers had completed this course. At the time of our audit, the Ministry of Education told us that over 16,000 educators have been trained by school boards or the Geneva Centre for Autism to use ABA teaching strategies in the classroom. Overall, however, according to the Ministry of Education's 2012 survey, 62% of school boards reported that not all their teachers who work with children with autism have had formal training in ABA strategies. At the four school boards we visited, this lack of formal training was somewhat mitigated by the fact that they had their own ASD resource teams with whom teachers could consult.

Transitioning from Community-based Intervention to Schools

To help children leaving the IBI program to start school or return to school full-time, the Ministry of Children and Youth Services along with the Ministry of Education introduced the Connections for Students (Connections) initiative in 2008/09. By March 2010, the initiative had been implemented province-wide.

The Connections initiative is centred on a multidisciplinary, student-specific, school-based transition team that includes parents, school board staff, a principal or designate, and an ASD consultant from the Ministry-funded agency that delivers the School Support Program. This team is established approximately six months before the child leaves the IBI program and is intended to provide support until at least six months after the child starts or returns to school.

In 2011/12, about 1,200 children received transition support services in the Connections initiative, which we calculated represents over 90% of those children who were discharged from IBI within the applicable period (from October 1, 2010 to September 30, 2012). The service agencies we visited estimated that their ASD consultants spend 25% to 55% of their time on Connections matters.

We reviewed a sample of files for children discharged from IBI between April 2011 and February 2013, and determined that, for the most part, children's strengths, needs and issues related to the transition process were discussed in monthly transition meetings in the presence of an ASD consultant, the child's parent and teacher. However, in 20% of cases, there was no evidence that ASD consultants transferred instructional strategies involving ABA to school staff.

RECOMMENDATION 4

To better ensure that children with autism receive cost-effective supports while in school, the Ministry of Children and Youth Services, in conjunction with the Ministry of Education, should:

- review the need for the use of autism spectrum disorder (ASD) consultants at many school boards that already employ people to provide similar services, and ensure that all ASD consultants are effectively utilized;

- define minimum training requirements to assist existing and future educators to use applied behaviour analysis (ABA) principles in the classrooms, and monitor uptake of these education programs; and
- assess the usefulness of various online and other resource tools available to assist teachers with effective educational practices for students with autism, and facilitate cost-effective access to the best tools available.

MINISTRY OF CHILDREN AND YOUTH SERVICES RESPONSE

The School Support Program (SSP) was designed so that its ASD consultants work closely with school boards to customize their services based on local needs and, as a result, delivery of the program may vary across the province. When the program was first introduced in 2004, there were few autism-specific or ABA supports available in schools. Since then, school boards have developed increased expertise and capacity to support students with ASD. In the context of this increased school board capacity, as well as the cumulative positive impact of the SSP in building capacity among educators, the Ministry has taken some initial steps to review the SSP and is planning to move $3.6 million in 2013/14 and $4.5 million in 2014/15 from the SSP to the AIP to relieve some of the wait-list pressures for IBI services.

The Ministry will direct service providers to prioritize SSP services that are child-specific (for instance, the Connections for Students initiative) over other types of SSP services provided to school boards (for instance, board-wide training or resource development). The Ministry will continue to work with the Ministry of Education to assess how to use the program's remaining resources to best meet the needs of children with ASD.

MINISTRY OF EDUCATION RESPONSE

The Ministry of Education recognizes the importance of training educators who work or may work with students with ASD to use ABA principles in the classroom. The Ministry recently established a provincial ABA Expertise Working Group to define training requirements to assist educators in incorporating and using ABA principles in the classroom. It also plans to conduct regional consultations in spring 2014. The Ministry plans to communicate these training requirements at the third annual ABA Professional Learning Day in April 2014.

The monitoring of the uptake of ABA training is conducted at the school board level. However, the Ministry will annually monitor how training requirements are implemented by school boards starting in 2015.

The Ministry will communicate training requirements to assist educators in incorporating and using ABA principles in the classroom to the Ontario College of Teachers and faculties of education as an example of an effective special education instructional strategy.

The Ministry recognizes that in recent years a wealth of research and resource materials has become available on how best to support students with ASD. The ABA Expertise Working Group is expected to identify resources that have proven to be effective in improving the outcomes for students with ASD by spring 2014. Such resources will be disseminated via an online forum for professionals with ABA expertise that the Ministry plans to launch in spring 2014. The Ministry will continue to facilitate educators' access to the best tools on how to support students with ASD.

Transition Services for Older Children

Changes, such as moving from elementary to secondary school, entering adolescence or completing secondary school, can be challenging for children with autism and the people responsible for their care.

Since 2006, the Ministry has provided annual funding totalling $1.5 million to approximately 40 agencies to help children with autism transition into adolescence and high school. These agencies provide services such as developing interpersonal and coping skills; coaching youth with employment, volunteer or recreational activities; crisis intervention; behavioural supports; and family counselling and support groups to give parents the skills to help their children transition. This funding is also used for purposes other than transition planning, such as enhancing respite services and training parents or caregivers on the disorder. In the 2012/13 fiscal year, the program served approximately 1,000 youths and their families.

Based on our discussions with service providers that deliver transition programs in the three regions we visited, access to these programs varied from referrals through schools to youth hand-picked by the agency. Wait time for such services could range from 4 months to 3 years.

To help children transitioning within the school system (for example, moving from one grade to the next or changing schools), boards we visited have autism resource teams, ABA experts, and special education resource teachers to support teachers who have students with autism. These supports include providing advice to teachers in developing behaviour safety plans and individual education plans, responding to crisis situations, and providing linkages to post-secondary schools and work experience.

When it comes to transitioning youth to the adult system, representatives from school boards and stakeholders told us there is a shortage of adult services, so some parents stop working to stay home with their adult child. In addition, school boards did not generally collect data on what becomes of youth with autism after they leave school. By 2014, all Ontario students will have a unique identifier that will follow them to post-secondary education. The government will have the means to at least track students with autism who go on to college or university.

In 2011 the Ministry of Children and Youth Services and the Ministry of Community and Social Services introduced a transition planning framework for young people with developmental disabilities and indicated that planning is to begin early. In December 2012, the Ministry's regional offices implemented protocols to formalize transition planning responsibilities between organizations funded by either the Ministry of Children and Youth Services or the Ministry of Community and Social Services, and to help establish expectations for a more systematic, co-ordinated and transparent approach to transition planning for youth with developmental disabilities. In January 2013, the initiative was expanded to include the Ministry of Education with the intent to help support smooth transitions from secondary school to adult developmental services, further education, employment, participation in life activities and community living. The inclusion of the Ministry of Education in the transition planning process required revising the recently implemented protocols. The protocols took effect at the start of the 2013/14 school year, after our audit fieldwork had been completed. The agencies are expected to implement transition planning for youth as part of their existing program funding.

We noted the following concerns with the transition planning process:

- It is unclear whether community agencies that serve youth or adults with autism are required to participate in transition planning. The transition planning protocols are designed for youth and adults with developmental disabilities and are not specific to youth with autism. Neither the protocols nor the framework define developmental disabilities. The Ministry recognizes that the meaning of developmental disabilities currently differs under the *Services and Supports to Promote the Social Inclusion of Persons with Developmental Disabilities Act, 2008* and the *Child and Family Services Act,* and there is no definition under the *Education Act*. In September 2013, an implementation guide developed by the ministries of Children and Youth Services, Education, and Community and Social Services was provided to school boards to advise them that students with exceptionalities besides developmental disabilities—for instance, autism—could be considered eligible for transition planning. However, it also stated that community agencies were "expected to continue to use their current practice regarding the definitions of developmental disabilities."

- The Ministry is unable to tell us how many youth with autism will be addressed by this framework. Anticipating that there would be a large volume of youth and adults affected by this transition planning initiative, the Ministry has prioritized its implementation to first serve adults still residing in children's residential services, then young people aged 14 to 17 who are in children's residential services, and finally young people 14 and over who are not in children's residential services. The Ministry does not have data on the number of youth with autism in each of the three priority groups. People we consulted suggest that most youth with autism are in the last priority group.
- We reviewed the outcomes listed in the framework and noted that they were mainly focused on aspects of the transition plan and did not define what would constitute a successful transition. Further, the Ministry had not otherwise established a process to assess whether individuals made a successful transition—for example, through satisfaction surveys.

As mentioned previously, the Legislature recently created a select committee to work on a comprehensive developmental services strategy for Ontario that will help co-ordinate the delivery of developmental programs and services across ministries, with a particular focus on needs related to education, work and housing.

RECOMMENDATION 5

To help ensure that appropriate services and supports are available to persons with autism as they prepare to leave the children and youth system, the Ministry of Children and Youth Services, in conjunction with the Ministry of Community and Social Services and the Ministry of Education, should develop processes to assess whether individuals with autism made successful transitions, including surveys to gauge satisfaction for those who made the transitions and their families.

MINISTRY RESPONSE

The Ministry of Children and Youth Services, the Ministry of Community and Social Services, and the Ministry of Education have worked collaboratively to establish processes that support integrated transition planning. Through integrated transition planning processes, young people with developmental disabilities, including autism, will have a single integrated transition plan that will inform educational planning, help the young person transition from secondary school and child-centred services to adulthood, and help prepare parents or guardians and other family members for these transitions.

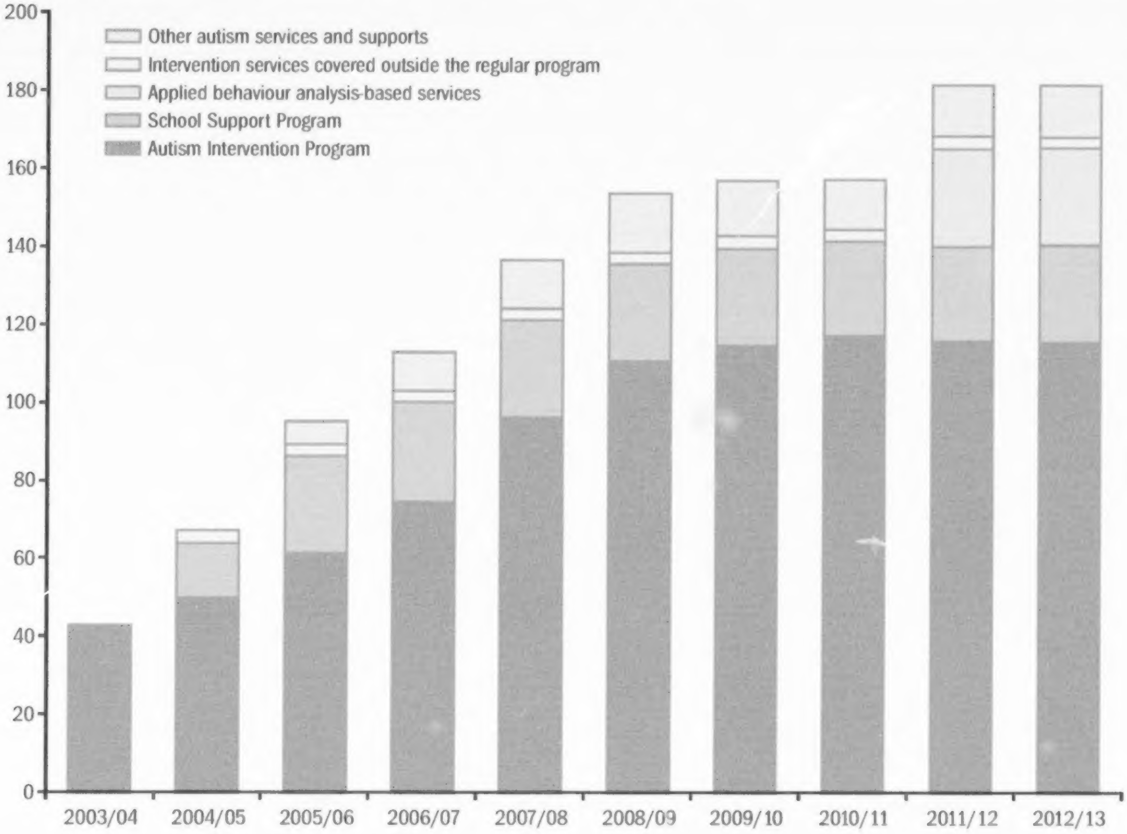
As part of the implementation of integrated transition planning, the three ministries are developing a plan to evaluate the effectiveness of the integrated transition planning protocols.

AUTISM FUNDING

Between 2003/04 and 2012/13, the Ministry quadrupled annual autism funding from $43 million to $182 million, primarily through an almost three-fold increase in funding for IBI services and through the introduction of measures such as the School Support Program and applied behaviour analysis-based services, as illustrated in Figure 7.

Figure 7: Autism Services and Supports Expenditures, 2003/04–2012/13 ($ million)

Source of data: Ministry of Children and Youth Services



As previously mentioned, there has been a wait list for autism therapies since program inception. Based on the prevalence rates of autism in Southeastern Ontario from 2003 to 2010 (the only prevalence rates available in the province), the change in total program funding surpassed the change in the prevalence rates for each year from 2004 to 2007, yet this still did not significantly reduce the wait list for IBI therapy. From 2008 to 2010, the change in prevalence rates surpassed the change in total funding by an average of 8% a year.

Over the five-year period ending in 2012/13, transfer payments to service providers for IBI services increased by 20%, while the number of IBI spots remained virtually unchanged at 1,400. During this time, the number of children who received IBI services increased by 14%, which could have been due to a number of factors, such as improved operational efficiency at agencies, fewer hours of therapy being offered to children, and/or children being discharged from therapy sooner.

Reasonableness of Funding Allocation

In order to assess whether resources were being distributed equitably across the province, the Ministry would need to compare funding distribution to the demand for services across the regions. However, it had not done so by the time of our audit. Demand for services is represented by children being served and those waiting for service. We compared eight of the regions on this basis (we omitted one region because it places children on the wait list before diagnosis, contrary to policy) and noted that in two regions, their share of total funding was not in proportion to the demand for services in those regions.

We analyzed unit costs for two of the most significant autism services and supports in the 2012/13 fiscal year, and noted a wide variation in cost per service provided across regions, as illustrated in Figure 8. Significant variances were noted in the prior year as well, but had not been followed up by the Ministry.

Comparison Between Service Delivery Options

In November 2004, the Ministry told the public accounts committee that it would examine the cost variances for IBI services between the direct funding model and the direct service model. In 2008, the Ministry hired a consultant to conduct a costing analysis of the IBI program. Among the consultant's findings was that for the 2005/06 fiscal year, the average cost per hour under the direct service option was $55 and ranged from $47 to $87 across the nine regions, whereas the average cost per hour under the direct funding option was $37 and ranged from $27 to $44 across the nine regions. According to the consultant's report, the lead service agencies' reasons for higher unit costs per hour under the direct service option included the following:

- the direct service option gives clients access to a wider range of clinical services and covers all IBI-related costs (such as travel, materials, equipment, assessments, progress reviews, parent meetings), while parents themselves pay these costs under a direct funding option arrangement;
- providers under the direct service option have higher staff costs because their therapists are more likely to be unionized, their therapists are likely to receive more clinical supervision, and therapists' costs are incurred for cancelled appointments; and
- providers under the direct funding option might be charging parents more than the capped rate, with parents paying the difference.

The Ministry informed us that it took no action on the consultant's findings because it felt there were too many variables across regions and the report was not conclusive enough to lead to any kind of costing benchmark. However, the Ministry did not attempt to do a more meaningful analysis of the reasons for the cost variances under the two service delivery options. In particular, the Ministry has not required agencies to track and submit supervision and direct therapy hours for either service delivery option.

Due to a lack of information on actual IBI therapy hours, we analyzed the average cost per child for one year of therapy under both service delivery options in the three regions visited and noted that it costs 66% more for the government to deliver services under the direct services option than it does under the direct funding option, even after we allocated overhead costs—costs for administration, wait-list management, and clinical supervision—between the two service delivery options. This analysis does not include any amounts that parents would pay out of pocket under the direct funding option.

The direct funding option rate of $39 per hour, set in 2006/07, is meant to capture all aspects of required services including direct therapy, supervision, travel and materials. The rate has not been reviewed since.

However, rates obtained by families often depended on their negotiating skills; we noted

Figure 8: Unit Costs of Selected Autism Services, 2012/13

Source of data: Ministry of Children and Youth Services

Autism Service/Support	Basis of Comparison	Provincial Average ($)	Regional Variation ($)
IBI	Cost per child per year of service	56,000	50,800–67,000
ABA	Cost per hour of service to children, youth and parents	140	70–340

instances where the same private provider charged clients different amounts for the same service. For example, for the same one-month time period, one provider charged a client its established fees for all hours of service provided, which exceeded the client's allowance by $480 for the month; the same service provider charged another client for fewer hours of services than what the client actually received, just so the client could be fully reimbursed by their direct funding option allowance, resulting in the latter client saving $460.

RECOMMENDATION 6

To ensure that all regions use autism funding cost-effectively to meet local demands, the Ministry of Children and Youth Services should:

- ensure that all lead service agencies place children on the wait list for IBI services only after determining their eligibility, and review whether its funding allocation is aligned with service demand;
- periodically compare and analyze agency costs for similar programs across the province, and investigate significant variances; and
- review the reasonableness of the hourly rate under the direct funding option, which was set in 2006.

MINISTRY RESPONSE

The Ministry will direct all AIP agencies to review their practices for placing children on wait lists and ensure that their practices are consistent with the AIP guidelines. The Ministry will direct agencies whose practices are not in line with the guidelines to bring their practices into compliance by December 2013. The Ministry will also consider reviewing how funding allocations are aligned with service demand for the AIP.

The Ministry will consider comparing and analyzing agency costs for similar programs across the province.

The Ministry will review the hourly rate for the direct funding option in the AIP.

OVERSIGHT OF SERVICE PROVIDERS

The Ministry collects service-level and financial data from its service providers on a quarterly basis for each service and/or support offered. Service data tracked includes, among other things, the number of children receiving IBI services, number of children discharged from IBI services, aggregate number of days that children who started IBI waited for service, number of hours of ABA-based services received by children, and number of consultation hours provided by ASD consultants under the School Support Program. Targets are set for each of these areas. Regional offices follow up with service providers when actual levels of service provided differ from targets by more than 10%.

Several years ago the Ministry also began collecting monthly data from service providers for IBI services, respite care and the Connections initiative. Some of the monthly data requested is similar to that submitted quarterly (for example, the number of children who ended IBI services in the period) and some is different (the number of children waiting for IBI services, and a breakdown of children in IBI by service delivery option). Unlike the quarterly information, no targets are set for these data elements.

We had the following concerns with the data collection and analysis:

- Some regional offices we visited did not verify data that is submitted by the service providers. As a result, some data forwarded to the Ministry was not accurate. For example, in one region, the lead IBI service agency reached its target for number of children served in IBI by, contrary to policy, including children still waiting for direct services but whose families were receiving consultation services from a senior therapist. In another example, an ABA partner agency submitted the wrong quarter's data on the number of children waiting for service and the number of days they waited for services. The data was understated by 330 children and 36,000 days in total.

- Some information reported to the Ministry was non-verifiable; for instance, for the School Support Program, service providers we visited tracked participation at training sessions via a head count rather than a sign-in list. In addition, because participants were not individually identified, the Ministry could not determine how many unique individuals were served and how many hours of training or consultation services each received.

We also noted that the Ministry did not collect information that would help it monitor compliance with program guidelines and evaluate program effectiveness. For example, the following information would be useful to monitor and evaluate the IBI program:

- wait time for each child on the wait list to determine the individual's length of wait for services;
- percentage of families on the wait list that received support services;
- number of IBI service hours actually delivered to each child per week to determine whether the agency actually provides between 20 and 40 hours of service each week;
- lost hours of service by cause; and
- change in a child's functionality from the time he or she starts intervention until the time of discharge.

RECOMMENDATION 7

To better monitor whether service agencies are meeting key program guidelines and providing quality services, the Ministry of Children and Youth Services should review the type of data that agencies are required to submit, and ensure key information is received and analyzed, and periodically verified through site visits.

MINISTRY RESPONSE

Every year, the Ministry reviews its data requirements to improve data collection. In 2013, the Ministry focused its review on the quality, reliability, transparency and relevance of the data. As a result of this review, the Ministry adjusted the amount and type of data being collected. For example, the Ministry is now collecting and analyzing information relative to the number of service hours that children and youth receive and the length of time they wait to receive service. The Ministry is also tracking the number of children and youth who receive their eligibility assessment for the AIP within the four to six weeks prescribed by the AIP guidelines. The new data collected should help the Ministry's efforts toward continuous quality improvement.

The Ministry will consider collecting the additional information suggested by the Auditor General.

EFFECTIVENESS OF AUTISM SERVICES AND SUPPORTS

Because the prevalence of autism is increasing and government's financial resources are limited, it is imperative that the Ministry evaluate the effectiveness of its autism services and supports periodically to ensure that children with autism receive the most appropriate and effective services that meet their needs.

Performance Indicators

Similar to other provinces we researched, the Ministry does not publish any outcome measures to assess its autism services and supports. The Ministry has only one performance measure—the number of children receiving IBI at year-end. However, this is not useful in assessing the effectiveness of the Autism Intervention Program (AIP).

In the 1999 Cabinet submission for the AIP, the Ministry proposed a number of relevant long-term performance measures that would help track the success of the program. These included: identifying children with autism by age 3; significantly improving functioning for two-thirds of children receiving three years of intensive therapy, and successfully integrating half of these children into regular classrooms; avoiding future health, social service and education costs; and ensuring that 80% of parents are satisfied with services. However, we found that the Ministry has not collected information to measure the achievement of any of these objectives. Furthermore, in November 2004, during a public accounts committee hearing following our 2004 special report on IBI services under the AIP, the Ministry stated that it would develop more outcome-based performance measures but it has yet to do so.

With regard to ABA-based services, the Ministry expects all service providers to collect information pertaining to child outcomes, parent/caregiver outcomes, parent/caregiver satisfaction with service delivery, and system outcomes. Similarly, with regard to the School Support Program, the Ministry expects service providers to provide annual reports outlining achievement of key outcomes. However, in both cases the Ministry does not specify any performance measures. For the ABA program, we noted the only outcome data that the Ministry has asked service providers to submit was on the number of children who met their goals upon completion of ABA-based services, which in 2012/13 was 88%. Although this would be a good performance indicator, no target was set and no other objective performance outcome data was collected, such as that which could be obtained from parent satisfaction surveys, for instance. In the case of the School Support Program, no service quality or outcome-based information was collected.

Program Evaluations

In 1999, the Ministry indicated that it would evaluate the program to demonstrate that it is making a difference to families of children with autism. The Ministry further noted that it would modify the program based on evaluation data in order to increase the likelihood of meeting its long-term objectives.

In 2006, the Ministry commissioned an external consultant to evaluate the outcomes of children who received Ministry-funded IBI services. Specifically, the goal of the study was to determine whether children showed significant improvement and to identify factors that predict greater improvement. The consultant reviewed the case files of over 300 children who received IBI services at any time between 2000 and 2006, and among other things compared their assessments at time of entry and exit from the program. The study found that 75% of children showed measurable progress or improvement, and a subset (11%) of them achieved average functioning. Improvements were seen in the severity of their autism, their cognitive level, and their adaptive behaviour (that is, communication, daily living, socialization, and motor skills). Improvements were noted with all groups of children regardless of their initial level of functionality, but those who were initially higher functioning had the best outcomes or made the most progress. Children who started IBI before age 4 did better than those who started after age 4. Children who received two years or more of IBI did better than those who received a shorter duration of IBI. The consultant concluded that the initial level of a child's functionality was a better predictor of improvement, although it didn't account for all the variability, followed by the child's age at the start of therapy and then the duration of therapy. While the study had its limitations, the experts we consulted said these findings were valid and consistent with other research. Despite the results of this evaluation, no modifications were made to the program, such as letting children with milder forms of autism access IBI.

Although the IBI program has been implemented in Ontario since the year 2000, no study has followed the cohort of children who received or were denied IBI services in that time to help assess the program's long-term impact. In addition, no study has been done to determine whether children's outcomes differ by service delivery option. Without such studies, the Ministry has not been able to assess whether the program is effective as designed.

The lack of a long-term effectiveness study (that is, a study looking at the long-term outcomes of children with autism who acquired intervention services at a younger age) is not unique to Ontario. Having said that, we noted that a national study, funded by the Canadian Institutes of Health Research and others, is following groups of children with autism from diagnosis until age 11. The study was announced in 2004 and will continue until 2014, and includes children from one part of Ontario. The initial findings of this study speak to the importance of developing ASD intervention services that are delivered as early as possible and are diverse, flexible, and sensitive enough to meet the needs of children with ASD who have very different clinical profiles and follow different developmental pathways.

RECOMMENDATION 8

To help ensure that services and supports for children with autism are meeting their needs, the Ministry of Children and Youth Services should:

- develop performance measures and targets for each of its autism services and supports to assess their effectiveness in improving children's outcomes;
- conduct periodic program evaluations, including parent satisfaction surveys, and consider conducting a long-term effectiveness study of children who received IBI services and children who were denied IBI services; and
- modify services and supports as required.

MINISTRY RESPONSE

The Ministry agrees that it is important to assess the effectiveness of its services and supports for children and youth with autism and to adjust the programs if necessary so that they are as effective, cost-efficient and accessible as possible.

The Ministry strategically reviews the autism data that is collected to ensure it addresses five areas—effectiveness, efficiency, accessibility, equity, and client profile. The Ministry will continue to evaluate its data with a view to developing a broader autism services evaluation plan, including performance indicators and targets.

The Ministry has developed an ABA-based services evaluation plan with key performance indicators to assess program effectiveness, efficiency and accessibility, and families' experiences with ABA-based services and supports. This plan also includes the use of evidence-based tools to assess client outcomes and client satisfaction with ABA-based services. The evaluation began in fall 2013. Based on this work, the Ministry will consider options for measuring family experience in the AIP.

The Ministry will continue to closely monitor external research on the effectiveness of its programs, including research being conducted by the Canadian Institutes of Health Research on the effectiveness of the AIP.

Chapter 3

Section

3.02 Health Human Resources

Ministry of Health and Long-Term Care

Background

Health human resources—physicians, nurses and other health-care providers—are crucial to the delivery of health services. They represent the single greatest asset, as well as cost, to the health-care system. Acting to address concerns over provincial physician and nursing shortages, long wait times and an increasing number of patients without family doctors, the Ministry of Health and Long-Term Care and the Ministry of Training, Colleges and Universities jointly developed a strategy called HealthForceOntario in the 2005/06 fiscal year. As part of the strategy, the Ministry of Health and Long-Term Care established the HealthForce-Ontario Marketing and Recruitment Agency (Agency) in 2007. The Agency's activities focus on recruitment and retention of health professionals.

The strategy's goal is to ensure that Ontarians have access to the right number, mix and distribution of qualified health-care providers, now and in the future. Responsibility for its implementation lies with the Health Human Resources Strategy Division of the Ministry of Health and Long-Term Care (Ministry), but its Assistant Deputy Minister reports to the Deputy Ministers at both ministries. This is meant to establish a link between the health care and education systems, and better manage the supply of health human resources.

Total expenditures for the strategy grew from $448 million in the 2006/07 fiscal year to $738.5 million in the 2012/13 fiscal year, an increase of about 65%. These amounts included $431 million for physician and nursing initiatives in 2006/07 and $728 million for them in 2012/13, as well as ministry operating expenses of $17 million in 2006/07 and $10.5 million in 2012/13, as shown in Figure 1.

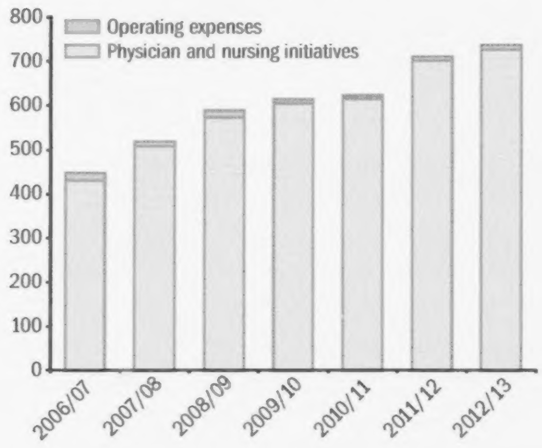
Audit Objective and Scope

The objective of our audit was to assess whether the Ministry of Health and Long-Term Care, in conjunction with the Agency, had adequate systems and procedures in place to:

- identify and assess the appropriateness of the mix, supply and distribution of qualified health-care professionals to help meet the current and future needs of Ontarians across the province;
- ensure that strategy initiatives were delivered in accordance with established regulatory requirements, applicable directives and policies, and agreements; and

Figure 1: Health Human Resources Strategy Division Expenditures, 2006/07–2012/13 ($ million)

Source of data: Ministry of Health and Long-Term Care



- measure and report regularly on the progress of the strategy's objectives.

The Ministry and Agency senior management reviewed and agreed to our audit objective and criteria.

Our audit focused on physician and nurse human resources. In conducting our audit, we reviewed relevant legislation, administrative policies and procedures, and interviewed staff at the Ministries of Health and Long-Term Care and Training, Colleges and Universities. We visited three Local Health Integration Network (LHIN) offices and three hospitals in the North West and South West regions, and we contacted two hospitals in the Greater Toronto Area region to interview staff and obtain relevant documents. We also obtained information related to various nursing initiatives from Greater Toronto Area hospitals. To gain an overall understanding and perspective of the health human resources area, we spoke with a number of external stakeholders such as the College of Family Physicians, the Ontario Hospital Association, the Registered Nurses Association of Ontario, the Registered Practical Nurses Association of Ontario, the Professional Association of Residents of Ontario (formerly the Professional Association of Internes and Residents of Ontario), and the Ontario Medical Association. We also spoke to representatives of other jurisdictions—Manitoba, Alberta and British Columbia—to gain an understanding of how health human resource planning is done in those provinces.

Summary

Over the last six years, the Ministry of Health and Long-Term Care (Ministry) has spent $3.5 billion through its HealthForceOntario strategy to address the shortages of physicians, nurses and other health professionals across Ontario. In 2012/13 the Ministry directed $738.5 million toward this strategy: $505 million for physician initiatives, $151 million for nursing initiatives, $72 million for other health human resource initiatives and the remaining $10.5 million for operating expenses.

Overall, Ontario has seen an 18% increase in physicians from 2005 to 2012 and a 10% increase in nurses from 2006 to 2012. While the initiatives increased enrolment, created more postgraduate training positions and attracted more doctors and nurses from other jurisdictions, Ontario has not met its goal of having the right number, mix and distribution of physicians in place across the province to meet the population's future health-care needs.

Specifically, we noted the following:

- The province spends an average of about $780,000 (including $375,000 for resident salaries and benefits) to educate one specialist who completes a four-year undergraduate degree and up to five years of postgraduate residency training. For a specialist who enters Ontario at the postgraduate level from outside the province, this cost is $225,000. However, many specialists trained in Ontario do not stay and practise here. Retention statistics show that, on average, 33% of Ontario-funded surgical specialist graduates left the province each year between 2005 and 2011. The lack of full-time employment opportunities for graduating residents of certain surgical specialties may lead to more physicians deciding to leave the province, despite long wait times for these services. For example, wait-time data for the three-month period from June to August 2013 showed waits of 326 days for forefoot surgery and 263 days for cervical disc surgery.

- The Agency provides temporary physician or "locum" coverage in eligible communities across the province to support access to care. However, vacancy-based locum programs meant as short-term measures continued to be used for long periods of time. At the time of our audit there were about 200 specialist vacancies in Northern Ontario, and of those hospitals using locum services, one-third that had been using the Emergency Department Coverage Demonstration Project before January 2008 had been continuously using its locum services from as early as 2007, and one hospital had been using them since 2006.
- Over the four fiscal years from 2008/09 to 2011/12, $309 million was dedicated to hiring 9,000 new nurses. Our review showed that while the system was unable to hire that many nurses in the four years, it had increased the number of nurses by more than 7,300 and the Ministry was on track to achieve its goal within five years.
- At the end of 2011, 66.7% of nurses were working full-time in Ontario, which was just slightly under the Ministry's goal of 70% of nurses working on a full-time basis. However, the Ministry needed to improve its oversight and assessment of the effectiveness of its nursing programs and initiatives. For example, funding for the Nursing Graduate Guarantee Program is provided for up to six months with the expectation that organizations will offer permanent full-time employment for participating new graduate nurses. However, only about one-quarter of program participants in 2010/11 and one-third in 2011/12 actually obtained permanent full-time positions.
- Although the physician forecasting model built in partnership with the Ontario Medical Association was a positive step in determining physician workforce requirements, it is hampered by the limited reliability and availability of data. These limitations make planning the optimal number, mix and distribution of physicians with appropriate funding, training and deployment difficult. As well, a simulation model being developed by the Ministry to help plan for future nursing education positions and to help formulate nursing policies aimed at recruitment and retention determines only what the supply of nurses will be without considering how many nurses will be needed to meet the population's needs.

OVERALL MINISTRY RESPONSE

The Ministry of Health and Long-Term Care (Ministry) and the HealthForceOntario Marketing and Recruitment Agency acknowledge and thank the Auditor General for the timely audit and the recommendations in this report.

In a Canadian first, the province launched the HealthForceOntario strategy in May 2006. This was an innovative response to existing critical shortages in health human resources, and it aimed to ensure that existing gaps would not worsen.

The strategy has led to a significant improvement in the health human resource capacity of Ontario. Shortages of health providers, including physicians and nurses, are no longer the primary barrier to access or cause of wait times. The strategy has mitigated the shortages and improved the province's ability to plan, train and support its health workforce, with some key results since May 2006 including:

- more than 35,000 new regulated providers, including an 18% increase in physician supply and a 10% increase in nurse supply;
- expanded first-year undergraduate enrolment in medical schools (up by 22%) and first-year postgraduate trainees (up by 60%);

- 15,644 more nurses working full-time, a 23% improvement;
- 25 nurse practitioner-led clinics providing care to over 36,000 patients;
- more than 15,100 employment opportunities for new Ontario nursing graduates;
- new health-care provider roles including physician assistants, clinical specialist radiation therapists and five new nursing roles;
- creation of evidence capacity to inform planning;
- legislative and regulatory changes increasing the quality and safety of patient care, expanding scopes of practice and regulating new health professions; and
- establishment of the HealthForceOntario Marketing and Recruitment Agency.

Ontario is now able to focus health human resource activities on health-system transformation rather than responding to critical shortages of providers. The Ministry's work continues to evolve to address today's challenges. The Ministry is renewing the HealthForceOntario strategy so that it:

- builds on the successes of previous accomplishments;
- aligns with the goals of Ontario's Action Plan for Health Care; and
- advances evidence-informed planning and decision-making.

The recommendations in this audit will inform the strategy renewal.

Detailed Audit Observations

PHYSICIANS

Over the last six years, the Ministry of Health and Long-Term Care (Ministry) has spent $3.5 billion through its HealthForceOntario strategy to address the shortages of physicians, nurses and other health professionals across Ontario. While the province was able to increase the number of physicians, some Ontario communities face shortages of health-care providers, especially physicians. Primary-care physicians, also known as family physicians, are not always available in small, rural or remote communities. In Northern Ontario, general specialists (for example, in the areas of general surgery, internal medicine and psychiatry) also remain in high demand despite a significantly improved provincial physician supply.

Although the significant amount of funds that the Ministry has expended over the last six years has increased the supply of physicians in the province, shortages remain in certain specialties and geographical areas even as physicians in those specialties are unable to obtain full-time employment.

Increased Supply of Physicians in Ontario

Medical education is funded jointly by the Ministry of Training, Colleges and Universities and the Ministry of Health and Long-Term Care. The Ministry of Training, Colleges and Universities funds universities for undergraduate positions, while the Ministry of Health and Long-Term Care funds most aspects of postgraduate training. The majority of the $485 million the Ministry of Health and Long-Term Care spent on physician initiatives in the 2011/12 fiscal year was in two areas: total payments of $315 million to medical schools and hospitals for the salaries and benefits of residents who provide clinical services across Ontario; and $107 million paid to medical schools to support academic activities such as teaching, educational infrastructure and related administrative costs for clinical education of medical learners.

From 2005 to 2012, the Ministry of Health and Long-Term Care worked with the Ministry of Training, Colleges and Universities to increase enrolment in physician training programs. First-year undergraduate enrolment in medical schools went up by 22% and first-year postgraduate trainees by 60%. In family medicine, the number of first-year postgraduate trainees went up by 67% and specialists by 56%. In addition, the number of international medical graduates who entered residency training went up by 48%. As seen in Figure 2, between 2005 and 2012, the number of physicians increased by 18%, or about 4,100. At the same time, the number of family doctors per 100,000 people went from 84.9 to 91, and specialists from 92.9 to 104.3. The total number of doctors per 100,000 people went from 177.8 to 195.3. According to the Canadian Institute for Health Information, the number of specialists per 100,000 people in Ontario in 2011 was in line with the Canadian average, while the number of family physicians per 100,000 people in Ontario was about 10% below the average.

Sub-optimal Distribution of Physicians in Ontario

Despite the overall increase in primary health-care providers and specialists, access to health care is still a problem for some Ontarians. According to the Ministry, based on data collected between October 2012 and March 2013, 6% of Ontarians lacked a family physician. Although more recent regional data is not available, in 2010 the percentage in the north was twice as high. Access has been a longstanding issue in many rural, remote and northern communities in Ontario with chronic physician shortages. Geographic isolation, long travel distances, low population densities and inclement weather conditions are just some of the challenges to providing health care in these areas.

A 2011 Canadian Institute for Health Information report showed that 95% of physicians in Ontario practised in urban areas while the remaining 5% practised in rural areas. This number falls short of urban-rural population distribution in Ontario: according to Statistics Canada's 2011 census, 86% of the population lived in urban areas while 14% lived in rural areas. To help assess the accessibility of health care in rural areas, the Ministry uses the Rurality Index of Ontario (RIO), developed by the Ontario Medical Association. The RIO incorporates data on population and physicians practising in rural and northern areas, including large urban centres in the north. The RIO indicates that in 2011, 8.1% of physicians in Ontario practised in these areas, which contained 11.6% of the province's population.

Although the Ministry acknowledged that physician distribution across Ontario was still not optimal, it cited factors that could account for the

Figure 2: Increase in the Number of Physicians and Physician Trainees in Ontario, 2005–2012

Source of data: Ministry of Health and Long-Term Care

	2005	2012	Increase (%)
First-year undergraduate enrolment	797	972*	22
Medical school graduates	663	875	32
First-year postgraduate trainees	757	1,213	60
Family medicine – first-year postgraduate trainees	305	508	67
Specialty – first-year postgraduate trainees	452	705	56
International medical graduates	171	253	48
Family physicians	10,641	12,296	16
Specialists	11,636	14,086	21
Total physicians	**22,277**	**26,382**	**18**
Family medicine physicians per 100,000 population	84.9	91.0	7
Specialists per 100,000 population	92.9	104.3	12
Total physicians per 100,000 population	**177.8**	**195.3**	**10**

* Latest data available for undergraduate enrolment is from 2011.

way physicians are distributed. For example, some highly specialized health-care services are delivered in tertiary care units, which means patients in some communities must travel to large urban centres to receive specialized care.

Medical Specialties Facing Employment Problems

On average, the province invests about $780,000 (including $375,000 for resident salaries and benefits) to educate one specialist for a four-year undergraduate degree and up to five years of postgraduate residency training. For a specialist who enters Ontario from outside the province at the postgraduate training level, this cost is $225,000. In 2011, the province spent a total of $438 million on specialist education—a 63% increase since 2005, when the amount spent was $269 million. However, many specialists trained in Ontario do not stay and practise here. Figure 3 shows that, on average, about 33% of surgical specialist graduates (including neurosurgeons and cardiac, orthopaedic, paediatric and general surgeons) who were funded by the Ministry left Ontario each year between 2005 and 2011.

Not every graduating specialist who leaves Ontario does so because of employment difficulties. The size and breadth of Ontario postgraduate training programs may attract trainees from jurisdictions where these programs are not offered, and some may complete residency training in Ontario and return to their home province afterward. However, others may leave Ontario because they have difficulty finding stable employment after graduation.

The Royal College of Physicians and Surgeons of Canada (College) and the National Specialties Societies conducted a mini-study from July to November 2010 that found physician unemployment and underemployment were common in the following areas: cardiac surgery, nephrology, neurosurgery, plastic surgery, public health and preventative medicine, otolaryngology (ear, nose and throat specialists) and radiation oncology. In light of these results, the College expanded its research in April 2011 to conduct a multi-phase national study of medical specialist employment in Canada. The final report was released in October 2013. The report indicated that the specialties affected included orthopaedic surgery, urology, gastroenterology, hematology, critical care, general surgery, ophthalmology, neurosurgery, nuclear medicine, otolaryngology and radiation oncology. In our discussions with medical associations, we repeatedly heard that graduating specialists face employment difficulties in various surgical specialties, including many of the above.

Figure 3: Surgical Specialists Leaving Ontario, 2005–2011

Source of data: Ministry of Health and Long-Term Care retention data extracted from Canadian Post-M.D. Education Registry (CAPER) Annual Census of Post-M.D. Trainees

	2003	2004	2005	2006	2007	2008	2009	Average for 2003–09
Surgical specialists graduating in Ontario	120	122	120	125	111	114	147	123
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**Average for 2005–11**
Surgical specialists practising in Ontario two years after graduation	79	79	79	87	73	70	108	82
Surgical specialist graduates leaving Ontario	(41)	(43)	(41)	(38)	(38)	(44)	(39)	(41)
% of surgical specialist graduates leaving Ontario	**34**	**35**	**34**	**30**	**34**	**39**	**27**	**33**
Surgical specialists coming into Ontario to practise	22	8	12	19	18	14	9	15
Net number of specialists leaving Ontario	19	35	29	19	20	30	30	26

The College's 2011–12 study found that about 20% of new specialists and subspecialists in Ontario (compared to 16% in Canada) could not find a job after completing their residency training periods of two to five years following medical school. It also noted that employability was impacted by personal factors and preferences such as jobs not being based in new graduates' preferred locations; hospital budgetary restrictions; and delayed retirements. Such factors could result in physicians choosing to prolong their studies or make do with contract and temporary work, losing skills, leaving Ontario or having to work in non-surgical practice. At the same time, there are specialist vacancies in some areas of the province. For example, in the north, almost all (99%) of the $13 million spent on temporary specialist coverage in 2011/12 was for covering specialist vacancies while recruitment was being pursued.

The Ontario Medical Association also collected employment data in a 2011 survey. It described some of the barriers new graduates face in finding positions in anaesthesiology, cardiac and thoracic surgery, general surgery, neurosurgery, orthopaedic surgery and vascular surgery:

- Many cardiac surgeons were working as surgical assistants because they could not find jobs in their specialty; 34% of those graduates who were working as cardiac surgeons still considered themselves underemployed.
- More general surgeons were choosing to do fellowships in surgical subspecialties, which decreased the number of general surgeons in the health-care system.
- There was competition among orthopaedic surgeons for operating room time; older surgeons were reluctant to relinquish operating room time to enable new physicians to practise.
- Senior vascular surgeons were working past the normal retirement age, which meant they were holding on to operating room time and hospital clinic resources.

Naturally, individual job preferences also affect employment patterns. More students may be choosing specialties over general practice because of the perception that specialists have more prestige and higher earning potential. According to the Future of Medical Education in Canada Postgraduate Project funded by Health Canada, a 50/50 balance of generalists and specialists is needed to provide optimal care to patients. In 2011, Ontario had about 1,700 more specialists than generalists. The Ministry has worked with the faculties of medicine to increase the number of family medicine residency positions by 119% from 2003/04 to 2011/12. Since 2012, the Ministry and medical schools moved to implement a more structured, annual planning cycle to better support decision-making and fine-tuning of the size and composition of the postgraduate training system.

The Ministry acknowledged that graduating residents faced a number of employment concerns and that unemployment and underemployment were concentrated in specific specialties, particularly those requiring hospital resources. However, we found that it had not collected data from hospitals nor analyzed existing data to identify the causes or to develop solutions. For example, the Ministry had not examined how hospital funding might affect areas such as operating-room capacity, and how this in turn might impact employment in some surgical specialties. It also had not collected data on factors such as the volume of individual physicians' surgical bookings, the allocation of surgical bookings among physicians by level of experience, or the available operating room capacity across the system. The Ministry indicated that it continues to work with stakeholder partners such as the Ontario Medical Association and the Ontario Hospital Association to better understand how profession-specific challenges, including hospital operating practices, affect physician employment and underemployment.

The Ministry told us that once the final results of the College's national study are available with jurisdictional results, it will help inform it of the current status of and the multiple factors that contribute to physician unemployment and underemployment across Canada.

Lengthy Wait Times for Specialist Services

Ministry data that we examined for the three-month period from June to August 2013 showed long waits for certain surgical services, as shown in Figure 4. We found that some of the procedures with long wait times were in the same surgical specialties in which graduating residents faced unemployment and underemployment. For example, for some orthopaedic surgeries, waits following a specialist's assessment were as long as 326 days (forefoot) and 263 days (cervical disc). Patients often wait months just to see a specialist after the family physician's referral.

Our discussions with hospitals we visited and the Ontario Medical Association suggested that long wait times could be related to factors such as hospital funding. Reduced capacity caused by budget constraints could mean long wait times for some services; if funding is constrained then operating room hours and/or the resources who staff them could be cut, resulting in unemployment and underemployment among the specialists who provide these services.

The hospitals we spoke to in rural areas said they needed resources in various specialties, such as neurosurgery, orthopaedic surgery, psychiatry, paediatrics, obstetrics/gynaecology, geriatrics and emergency medicine, but had difficulty recruiting physicians to meet their needs. They indicated that graduating physicians often prefer to work in large urban centres rather than rural, remote and northern areas. Practising in non-urban areas presents challenges that may be quite different from those encountered during physicians' medical training or posed by practising in an urban centre. There are differences in the level of back-up, the extent of on-call work and the types of illnesses that need treating. There may also be fewer social and cultural activities available and limited employment opportunities for physicians' partners.

Figure 4: Provincial Wait Times* in Surgical Specialties with High Unemployment/Underemployment, June–August 2013

Source of data: Ministry of Health and Long-Term Care

Type of Service/Procedure	Wait Time (days)
Neurosurgery (overall)	134
Orthopaedic surgery (overall)	192
Cervical disc	263
Forefoot	326
Hip replacement	186
Knee replacement	220
Lumbar disc	251

* Wait time is calculated as the number of days from when 9 out of 10 patients see their specialist to when they undergo surgery.

Physician Initiatives

A number of studies have suggested that one factor affecting a physician's practice location decision is where he or she receives a significant portion of postgraduate medical training. For this reason, rural, remote and northern communities may have more trouble attracting physicians than urban centres that are close to medical faculties and teaching hospitals. Figure 5 shows a number of programs and initiatives the Ministry has funded to help those communities recruit and retain physicians.

The Ministry also manages a Return of Service Program that requires international medical graduates and participants in certain other physician postgraduate training programs to practise in eligible communities in Ontario, generally for a period of five years. (The program is covered in a subsequent section of this report.) The Ministry, through separate divisions, also funds a number of related initiatives, such as the Northern and Rural Recruitment and Retention Initiative, which offers financial incentives to physicians who establish a full-time practice in an eligible northern, rural or remote community.

At the time of our audit, the effectiveness of these initiatives had yet to be evaluated. Some of the initiatives had only recently been implemented.

Figure 5: Selected Ministry Initiatives for Physician Recruitment and Retention in Rural and Remote Communities

Source of data: Ministry of Health and Long-Term Care

Initiative	Description	Funding Received in 2011/12 ($ million)
Northern Ontario School of Medicine	Rural-distributed, community-based medical school that seeks to recruit students coming from Northern Ontario or rural, remote, aboriginal or francophone backgrounds (started 2005)	12.7
Distributed Medical Education	Organizations co-ordinate clinical teaching placements in small urban and rural communities for undergraduate and postgraduate learners (started 1995)	11.7
Northern and Rural Recruitment and Retention Initiative	Financial incentives to physicians who establish a full-time practice in an eligible community (started 2010)	3.4
Hospital Academic and Operating Costs for hospitals affiliated with the medical education campuses	Funding to cover academic and operating costs for hospitals affiliated with the Medical Education Campuses (started 2008)	3.5

The 2010 evaluation of the Return of Service Program found that it was not meeting the needs of most northern and remote communities. In response, the Ministry implemented changes to that program, including expanding the eligible geographic boundaries and providing other targeted funding for certain geographic areas that were underserviced.

The Northern Ontario School of Medicine, opened in September 2005, has not been operating long enough for a meaningful evaluation, but a five-year tracking study from 2010/11 to 2014/15 is under way to determine the extent to which the school's undergraduate and postgraduate programs improved the supply and distribution of physicians in northern and rural communities.

In addition, as noted in Figure 5, the Ministry funds the Distributed Medical Education Program, in which organizations co-ordinate clinical teaching placements in small urban and rural communities for undergraduates and postgraduates. The Ministry informed us that it has been working with medical schools since autumn 2012 on an approach to evaluate this initiative.

Physician Locum Programs

The Agency provides support for temporary physician or "locum" coverage in eligible communities across the province. Locum support targets two specific types of need:

- Respite coverage is an ongoing retention support to physicians who work in northern and rural communities. Because there are fewer physicians in these communities, there are limited options for local replacements. Respite locum coverage provides these rural and northern physicians with back-up when they are temporarily away on leave, continuing medical education or vacation.
- Vacancy-based coverage is intended as a short-term solution to provide access to care in areas where there are physician vacancies while long-term recruitment is pursued.

As well as providing access to physician care in communities with temporary physician absences or vacancies, these programs are also meant to support the retention of rural and northern physicians. In the 2011/12 fiscal year, the Ministry spent a total of about $22 million on three physician locum programs administered by the Agency.

The programs include the Northern Specialist Locum Programs, the Emergency Department

Coverage Demonstration Project and the Rural Family Medicine Locum Program.

We focused our audit work on the Northern Specialist Locum Programs and the Emergency Department Coverage Demonstration Project because these programs specifically targeted physician vacancies while permanent recruitment was pursued.

Costly Long-term Use of Northern Specialist Locum Programs

Northern communities can access up to 26 locum specialty services. The Northern Specialist Locum Programs incurred $13 million in expenditures in 2011/12 to provide temporary physician specialty coverage through two sub-programs that provide short-term coverage for specialist physician vacancies and ongoing respite coverage to support retention.

According to the Agency, the latest available data at the time of our audit indicated that about 30% of specialist positions in Northern Ontario were vacant. This translates to a total of about 200 specialist vacancies, or 40,000 work days that need coverage. Data that we examined for the years from 2009 to 2011 showed that the specialties requiring the greatest number of locum days in Northern Ontario were internal medicine, diagnostic imaging, general surgery and psychiatry. Over the past five fiscal years, from 2008/09 to 2012/13, four large northern cities—Sault Ste. Marie, Thunder Bay, Timmins and Sudbury—received more than 80% of specialist locum coverage days. According to the Ministry, the four larger northern city hospitals have the highest usage because they act as critical referral centres to the smaller rural northern communities where low population and other factors would not support specialist practice. Also, they provide teaching and research to the Northern Ontario School of Medicine.

In addition to fees for services or claims for work sessionals for daily clinical work, payments to physicians for vacancy coverage averaged $1,017 per day for travel, accommodation and honorarium—about four times the average amount paid for respite coverage. In addition to fees for service, physicians receive eligible travel and accommodation expense reimbursement for respite coverage, which amounts to $241 per day on average. In some Northern Ontario communities, physician shortages and recruitment challenges might have contributed to the extended use of physician locums to support ongoing access to care for patients. Our review showed that using locums has become a service delivery model. Almost all (99%) of the $13 million spent on locum coverage in 2011/12 was for covering specialist vacancies.

We looked at locum programs in other Canadian jurisdictions and found that they generally provide only respite coverage. The Ministry indicated that Ontario is unique in that it provides large-scale hospital-based services to five Northern Urban Referral Centres and has a medical school based in the north. The mass of critical services in the north combined with physician vacancies and recruitment challenges in some communities and/or specialties creates a need for locum support that may not exist in other jurisdictions. The Agency's long-term goal is to transition to a predominantly respite program in Ontario and eliminate use of the locum program as a service delivery model. The Agency indicated that it is working to implement new eligibility criteria, with full implementation by 2014/15.

We found extensive reliance on locum programs to deliver needed health-care services to some rural, remote and northern communities. For example, at a number of the hospitals we visited we reviewed the on-call locum usage for a single month in 2012 and found that locum coverage was as high as 94% for internal medicine at one hospital and 72% for diagnostic imaging at another hospital.

Although hospitals with specialist vacancies receiving coverage by the Northern Specialist Locum Programs are required to post the positions on the Agency's HealthForceOntario jobs website, they are not required to report on their progress in recruiting for and filling their vacancies. The

Agency informed us that it was in the process of developing new criteria for locum coverage eligibility. In a phased approach over the next two fiscal years starting in 2013/14, the Agency will require hospitals to regularly complete a form, which was being piloted at the time of our audit, to inform it of recruitment efforts that have been made to fill vacancies by specialty area.

Emergency Department Coverage Demonstration Project

The Ministry and the Ontario Medical Association designed the Emergency Department Coverage Demonstration Project to be a measure of last resort for hospitals to prevent unplanned emergency department closures due to physician unavailability that otherwise would result in patients being unable to access critical emergency services in their own community.

About 50 of 164 emergency departments across Ontario have used the project's locum services since it started in 2006. According to the Agency, about 20 hospitals use this resource at any one time, on average. The Agency's total expenditures on the project for the 2011/12 fiscal year were approximately $4 million.

We found at the time of our audit that of those hospitals using the locum services since before January 2008, one-third had been continuously using the services from as early as 2007. One hospital had been using them from 2006 up to the time of our audit. These hospitals received a total of about 9,000 hours of locum coverage in 2011/12. We reviewed a sample of the monthly emergency department schedules between local and locum doctors at one of the hospitals we visited and found that more than half of the emergency department shifts had been covered by locum physicians.

These findings imply that some hospitals facing physician shortages and recruitment challenges need long-term use of the locum support to maintain access to services while permanent recruitment is pursued. However, given that approximately $4 million was able to cover about 20 hospitals in meeting the emergency needs of communities at any one time, the amount that has been spent is not significant overall, averaging about $200,000 per hospital.

Problems With Retaining Physicians in Northern and Rural Areas

The Return of Service Program is intended to provide greater access to physicians in smaller urban communities and underserviced northern and rural communities by allowing them to recruit from a pool of physicians. The Ministry funds postgraduate training and assessment for international medical graduates and other physicians seeking to qualify to practise in Ontario in return for a commitment from them to provide services for a period of time (usually five years) in an Ontario community (except the cities of Ottawa and Toronto and adjacent municipalities). As of August 2013, the Ministry had active return of service agreements with 550 physicians who had completed their training.

According to the Ministry, before 2010 under the Underserviced Area Program, physicians could only complete their return of service commitment in a community designated as underserviced. Originally, the Underserviced Area Program was focused on northern and rural communities. However, over time more communities outside of the north were designated as underserviced to attract return of service physicians, with the result that designated communities close to major population centres in the south outnumbered those in Northern Ontario, which made it even more difficult for northern and most rural communities to compete for physician resources. From 2010 onward the Ministry attempted to improve access to care by expanding eligible practice areas to include all but the cities of Ottawa and Toronto and adjacent municipalities. These areas were excluded so they would not be able to out-compete smaller urban, rural, northern and remote communities for physician resources.

In our discussions with staff at the rural and northern hospitals we visited, we heard repeatedly that they were in need of more physicians. They told us that it was challenging to keep return of service physicians on after their five-year commitment was up. The Ministry does not keep track of international medical graduate physicians who stay on and practise in eligible communities after their return of service commitments have been met, but information we obtained from one of the hospitals we visited showed that only one of three physicians stayed on after completing their service commitments. The other hospitals we visited did not keep information on retention.

The Ministry has not evaluated the Return of Service Program to assess its effectiveness since it was redesigned in 2010. There are currently no performance measures or metrics to measure the program's success. The Ministry has only a quarterly update on the number of international medical graduate physicians in the program, broken down by LHIN and specialty at a snapshot date.

Alternative Health Careers for International Medical Graduates

The Access Centre is a unit within the Agency to help physicians and all other regulated health professions who want to practise in Ontario with the licensing, certification and regulatory process. Many international medical graduates use the Access Centre for assistance with navigating the system and competing for Canadian Resident Matching Service (CaRMS) residency positions. CaRMS is a national not-for-profit organization that provides an electronic matching service for postgraduate medical training in Canada. It enables applicants to decide where they wish to train in Canada and enables programs to indicate which applicants they wish to enrol in postgraduate medical training. In the 2011/12 fiscal year, approximately 2,100 international medical graduates were registered with the Agency's Access Centre, but only 173 obtained residencies in Canada; of those, 156 obtained residencies in Ontario.

Some of the unsuccessful candidates may go on to consider a field of practice outside their original profession, such as physiotherapy, dietetics and chiropractics. In the 2012/13 fiscal year, the Agency helped 27 international medical graduates who had been unsuccessful in obtaining residencies to transition to other careers in the health sector.

Although its current primary mandate does not include helping international medical graduates find employment in alternative fields, the Access Centre informed us that it plans to further develop services to assist internationally educated health professionals who are unable to practise in their field to transition to an alternative health career consistent with their education and experience. At the time of our audit, the first module of an Alternative Career Toolkit was available on the Access Centre's website.

RECOMMENDATION 1

To better meet the health-care needs of Ontarians, the Ministry of Health and Long-Term Care, in conjunction with the HealthForceOntario Marketing and Recruitment Agency, should:

- compare the existing mix and distribution of physicians across the province to patient needs and consider what measures it can take to reduce any service gaps;
- assess how various factors, including hospital funding and capacity and health-delivery models, affect patients' access to needed services and physician employment, and develop cost-effective solutions where concerns are identified;
- continue to work with medical schools and associations to encourage more medical students to select fields of study and geographic areas in which to practise that are in demand; and
- assess the effectiveness of its various physician initiatives in meeting the health-care needs of underserved areas.

MINISTRY RESPONSE

The Ministry welcomes this recommendation as it is consistent with and supports work that it has undertaken. Working with the Agency and other key health-system partners, the Ministry's HealthForceOntario strategy strives to continually advance evidence-informed health human resource planning that is responsive to the health-care needs of the people of Ontario.

The Ministry will continue working with partners to better understand these factors and their impact on access to health care and health human resource requirements, including physicians.

The Ministry is actively engaged with medical schools and professional associations to identify and promote a stable supply of physicians across the continuum of specialties with a focus on those that are required for harder-to-service patient populations or geographic areas.

The Ministry is committed to ongoing assessment of the effectiveness of initiatives launched to address specific needs, and looks forward to the outcome of such evaluations to inform future planning.

NURSES

A comprehensive strategy on nursing was an integral part of the HealthForceOntario strategy launched by the Ministry in May 2006. The Nursing Strategy is a collection of programs and initiatives intended to achieve the right number and mix of nurses in Ontario now and in the future. It addresses issues such as work environments, full-time employment, and recruitment and retention of nurses.

At the time the Nursing Strategy was launched, the province was experiencing a shortage of nurses, and further shortages were anticipated with imminent retirements. The Ministry's focus was on increasing the number of nurses—registered nurses (RNs), registered practical nurses (RPNs) and nurse practitioners (NPs)—in Ontario to improve access to care. RNs usually obtain their education through a four-year university degree. RPNs usually obtain education through a college program. A nurse practitioner is a registered nurse who has acquired the knowledge base, decision-making skills and clinical competencies for a practice that extends beyond that of an RN.

From 2006 to 2012, the number of nurses in Ontario increased by 10%, from 138,583 to 153,073. The number of nurses employed per 100,000 people in Ontario increased by 3.5%, from 1,106 in 2006 to 1,145 in 2012. Figure 6 provides a detailed breakdown of the increase.

We found that the Agency played a small role in the nursing sector. Agency regional advisers who operate from various LHINs across Ontario focused mainly on physicians, and very few Agency advisers worked at the Access Centre to counsel internationally trained nurses.

Although the Nursing Strategy has successfully increased the number of nurses in Ontario, we found that improvements were generally needed in ministry oversight and assessment of the effectiveness of its nursing programs and initiatives.

Nursing Initiatives

According to data from the College of Nurses of Ontario, 66.7% of members employed in nursing in this province said they worked full-time in 2012. The rest were categorized as part-time or casual. Figure 7 breaks down the working status for nurses in Ontario from 2008 to 2012, and Figure 8 shows employment by practice sector for full-time, part-time and casual employment, where the nurse does not have a set number of hours and is called in to work as needed.

The Ministry has implemented several nursing initiatives aimed at stabilizing the workforce and increasing full-time opportunities and retention of nurses across Ontario. The Health Human Resources Strategy Division spent $151 million on nursing initiatives in 2012/13. This amount does not

Figure 6: Number of Nurses in Ontario, 2006–2012*

Source of data: College of Nurses of Ontario

Type of Nurse	2006	2012	Increase	Increase (%)
Registered nurse	108,185	112,194	4,009	4
Registered practical nurse	29,706	38,859	9,153	31
Nurse practitioner	692	2,020	1,328	192
Total	**138,583**	**153,073**	**14,490**	**10**

* The data provides a "point-in-time" snapshot of the available labour supply of nurses (at the end of the prior year or beginning of the stated year).

Figure 7: Overall Working Status of Nurses in Ontario, 2008–2012*

Source of data: College of Nurses of Ontario

	2008		2009		2010		2011		2012	
Working Status	#	%	#	%	#	%	#	%	#	%
Full-time	75,649	62.9	78,694	63.9	80,356	63.8	83,972	66.4	85,010	66.7
Part-time	34,820	29.0	34,371	27.9	34,939	27.8	32,316	25.6	32,712	25.6
Casual	9,796	8.1	10,026	8.2	10,549	8.4	10,117	8.0	9,889	7.7
Total	**120,265**	**100.0**	**123,091**	**100.0**	**125,844**	**100.0**	**126,405**	**100.0**	**127,611**	**100.0**

* The data provides a "point-in-time" snapshot of the working status of nurses (at the end of the prior year or beginning of the stated year).

Figure 8: Employed Nurses[1] by Practice Sector, 2010[2]

Source of data: College of Nurses of Ontario

	Registered Nurses		Registered Practical Nurses		Total	
Working Status	#	%	#	%	#	%
Full-time						
Hospital	41,030	44	7,544	25	48,574	40
Long-term care	4,851	5	6,690	22	11,541	9
Community	10,947	12	2,636	9	13,583	11
Other & not specified	4,656	5	771	2	5,427	4
Part-time						
Hospital	15,576	16	4,669	15	20,245	16
Long-term care	2,201	2	3,597	12	5,798	5
Community	4,757	5	1,409	4	6,166	5
Other & not specified	2,052	2	468	1	2,520	2
Casual						
Hospital	4,352	5	1,168	4	5,520	4
Long-term care	552	1	804	3	1,356	1
Community	2,134	2	506	2	2,640	2
Other & not specified	808	1	180	1	988	1
Total	**93,916**	**100**	**30,442**	**100**	**124,358**	**100**

1. Not including nurse practitioners.
2. Most recent year that data was available.

include funds spent by other program areas within the Ministry for nursing initiatives.

We examine a few of the Ministry's more significant initiatives in the following sections.

Meeting the 9,000 Nurses Commitment

In 2007, the government committed to hiring 9,000 more nurses over a four-year period. It also committed to a goal of 70% of nurses working full-time. However, in fall 2008, the province indicated that it would take longer to achieve the goal of 9,000 new hires. From 2008/09 to 2011/12, $309 million was dedicated to this initiative. Our review of the initiative showed that:

- From year-end 2007 (reported as 2008 by the College of Nurses of Ontario), the number of nurses in the province increased by more than 7,300 over four years. At the time of our audit, CNO nursing data was not available for 2013 (which would represent 2012 figures), but it appeared likely that the goal of hiring 9,000 new nurses would be achieved by the end of 2012.
- The province was slightly under its goal of having 70% of nurses working on a full-time basis. As of the year ended 2011, reported by CNO as 2012 numbers, 66.7% of nurses were working full-time. From the year ended 2007 (reported as 2008) to the year ended 2011 (reported as 2012), there were almost 9,400 more nurses working full-time, representing a 12% increase.

We reviewed five Nursing Secretariat programs that reported creating 1,316 nursing positions. Two of the programs we reviewed had been in place since 2008/09 and the other three had been implemented in 2011/12. The Ministry indicated that 1,125 of the 1,316 new positions (85.4%) had been filled by March 2013. We also noted that the 1,316 nursing positions created were not all full-time, but included part-time and casual positions. The Nursing Secretariat did not have detailed information to determine the type of employment obtained by some of the positions funded through the Division. Specific data was not available to determine the number of full-time, part-time or casual positions that the funded organizations had created through the 9,000 Nurses Commitment.

Inadequate Assessment of the Nursing Graduate Guarantee Program's Effectiveness

Announced in February 2007, the Nursing Graduate Guarantee Program's objective was to support new Ontario nursing graduates (both RNs and RPNs) in finding full-time employment immediately upon graduation. Some of the program's other objectives include facilitating recruitment in all nursing sectors; transforming employer practices to make more full-time nursing positions available; and increasing the total supply of nurses by providing full-time employment to nurses who may have otherwise sought work in other jurisdictions or professions.

The program provides funding for temporary full-time, above-staffing-complement positions for 26 weeks with the expectation that these bridging positions will lead to permanent full-time employment. Employers must commit to funding an additional six-week full-time position for the new graduate nurse if he or she is not bridged to permanent full-time employment by the end of the 26 weeks. The program is open to employers in all health sectors (hospitals, long-term-care homes and community care organizations); all Ontario-educated new graduate nurses are eligible to take part as long as they register on the Agency-administered new graduate guarantee job website and accept a job offer within six months of completing their studies. In 2011, there were approximately 1,200 potential employers. In the 2011/12 fiscal year, about $66 million of ministry funding was provided to about 210 participating health-care organizations (representing an 18% employer participation rate), which employed 2,235 new graduate nurses under the program.

According to the Ministry's January 2011 *Guidelines for Participation in the Nursing Graduate Guarantee for New Graduate Nurses*, program funding is provided with the expectation that the bridging positions offered by organizations will lead to permanent full-time jobs. In the transfer-payment agreements that they enter into with the Ministry, participating organizations commit to making their "best effort" to place a new graduate in a permanent full-time position after he or she has worked with the employer for at least 12 weeks, but the Ministry does not assess program data against established program targets to determine how well organizations are doing with bridging participants to permanent full-time employment. We conducted our own analysis of 2010/11 and 2011/12 program data and found that only about one-quarter of participants had been transitioned to permanent full-time employment after the six-month period in 2010/11 and one-third in 2011/12; about an additional one-third of participants had been transitioned to part-time employment in both 2010/11 and 2011/12.

We also found that the Ministry had not reviewed employment trends at participating health-care organizations to determine whether employers were making their best efforts to transition program participants to full-time permanent employment. We reviewed a sample of health-care organizations that received funding from the program in 2007/08 to 2011/12 to look for employment patterns and found the following:

- In 2011/12, one organization reported that 15% of its graduates had transitioned to full-time employment while 65% went to part-time. In 2007/08, the same employer reported 24% of its graduates had transitioned to full-time employment and 59% to part-time.
- In 2007/08, another organization reported that 85% of its graduates had transitioned to full-time employment and 2% went to part-time. By 2011/12, the same organization reported that 19% of its graduates had transitioned to full-time employment and 47% to part-time.
- In 2011/12, an organization reported that 40% of its nursing graduates had voluntarily left the program early. Sixty percent of them left because they found employment elsewhere, while no explanations were given for the others who left.

The Ministry has allocated funds ranging from about $86 million to almost $100 million per year for the program since it began in 2007/08. We found that for each of the past five fiscal years (from 2007/08 to 2011/12), program expenditures were less than the amount of funds allocated. As shown in Figure 9, other than for 2009/10, the amounts of unspent funds varied considerably, ranging from $17.2 million (20%) to $33.6 million (37%) of total funds allocated for the year; they totalled $105.7 million over the five-year period. Figure 9 also shows how declining program expenditures are related to a one-third drop in program participation by eligible graduate nurses. Participation was as high as 62% in 2007/08 but declined to 35% in 2011/12. When we asked the Ministry about the reasons for this decline,

Figure 9: Nursing Graduate Guarantee Program Funding and Participation

Source of data: Ministry of Health and Long-Term Care

Fiscal Year	Allocated Amount ($ million)	Actual Expenditure ($ million)	Unused Portion ($ million)	# of New Nurse Graduates	# of New Nurse Graduates Participating	% of New Nurse Graduates Participating
2007/08	88.9	71.7	17.2	4,300	2,660	62
2008/09	94.2	72.3	21.9	4,902	2,825	58
2009/10	85.8	85.5	0.3	5,139	2,598	51
2010/11	87.5	54.8	32.7	5,555	1,804	32
2011/12	99.6	66.0	33.6	6,386	2,237	35
Total	**456.0**	**350.3**	**105.7**			

it indicated that not every nursing graduate will secure a job through this program. Some move into positions in the same organization where they completed their clinical placement, but outside the program, while others may decide to continue their studies or take time off. Nevertheless, the significant decline in graduate participation in this program raises questions that need to be considered in evaluating the program's effectiveness.

An external party has evaluated the Nursing Graduate Guarantee Program annually since 2007/08 using ministry data supplemented by a survey of participants and employers. The 2011/12 evaluation resulted in nine recommendations that included, for example, continuing to promote the participation of long-term-care and community employers in the program; supporting the participation of northern, rural and small organizations in the program; and examining the differences in employment status, retention and transition into the nursing profession across sectors. The Ministry indicated that it was working to address the recommendations.

However, the evaluator has not assessed the overall effectiveness of the program. For example, it has not reported on the total percentage of nurse graduates who have transitioned to permanent full-time employment through the program.

The Ministry has set performance targets for the number of temporary full-time positions to be bridged—the number of participants—but has not set an outcome-based performance target— the number of participants to achieve permanent full-time positions—for the Nursing Graduate Guarantee Program. In the program's first year (2007/08), the target was 3,000 positions to be bridged; by 2011/12 the target had decreased to 2,500 positions. The Ministry met its targets in only one of the five years—2008/09.

Inadequate Assessment of Nurse Practitioner–led Clinics

The purpose of nurse practitioner–led clinics is to provide increased access to primary health care to the people of Ontario. Patients at these clinics see a nurse practitioner (NP) as their primary health care provider, consulting with a physician only when needed. The first clinic opened in Sudbury in 2007 and served as a pilot project for the initiative. In November 2007, the Ministry announced that it would establish 25 more NP-led clinics across the province. In 2011/12, the 26 clinics received $29 million in ministry funding for development and implementation.

Each clinic can have up to four NPs who operate in collaboration with an interprofessional team (such as RNs, dietitians and social workers) to provide increased access to primary health care. To achieve this, the clinic may, for example, focus on providing:

- family health care for people previously without a primary care provider;
- chronic disease detection and management, such as obesity programs, smoking cessation and cancer screening; and
- faster access to care through house calls and same-day or next-day appointments and extended hours.

We looked at information from a sample of clinics to determine whether the majority of patients had indeed previously been without primary care providers. We found that only two of the five clinics we contacted had taken steps to document whether their patients had family physicians. Two of the other clinics informed us that patients were asked if they had a family physician. The remaining clinic did not begin collecting this information until April 2013, when it began having patients complete an intake form that included a question about family physicians.

At the time of our audit, the Ministry's overall target was to have a total of 40,000 registered patients (who do not have regular access to a family health-care provider) at all 25 clinics. As of January 2013, the 24 NP-led clinics that were open (one NP-led clinic is targeted to open late in the 2013/14 fiscal year) reported having about 33,000 registered patients, or 82% of the program target. Given that the clinics are a new model of primary health-care delivery and that many of them had been open less than two years, not all clinics are at full capacity, as it takes time to establish a patient roster.

Clinic budgets setting out operational and one-time costs are approved annually by the Ministry. Clinics are required to submit quarterly and annual financial and performance information and statistics to the Ministry for review as well as an audited statement of revenues and expenditures for the year. Our review of ministry documentation from a sample of clinics indicated that the Ministry generally followed up with clinics on matters during their development phase. Ministry staff informed us that they reviewed clinic operating costs, comparing actual operating expenditures to those set out in the clinic's budget, approving funding levels and discussing any variances with the appropriate clinic staff.

The Ministry's performance measure for this program is the establishment of 25 nurse practitioner–led clinics, which has been met. However, this measure does not assess whether the clinics are effectively meeting program goals. At the time of our audit, the Ministry had evaluated only one clinic (Sudbury) for its effectiveness in meeting program objectives.

RECOMMENDATION 2

To provide an appropriate level of nursing services and thereby improve access to care across the health sector, the Ministry of Health and Long-Term Care should:

- monitor nursing employment trends and assess the outcome of its nursing initiatives in transitioning graduating nurses to permanent full-time employment;
- assess the reasons for declining participation rates of nurse graduates in its Nursing Graduate Guarantee Program, and take steps to improve program effectiveness, including encouraging participation in the program across sectors; and
- monitor the nurse practitioner-led clinics more closely to ensure that they are meeting program requirements and achieving their patient targets and program objectives.

MINISTRY RESPONSE

The Ministry acknowledges the recommendation and comments regarding the Nursing Graduate Guarantee (NGG) program and the nurse practitioner–led clinics.

Recognizing the importance of monitoring and evaluating the NGG program, work has been under way since early 2012 to enhance its online management. A new tool was launched in April 2013 that allows the Ministry to collect and analyze information that was previously unavailable, including monitoring aspects of NGG participation rates by both nursing graduates and employers, as well as employment outcomes.

The annual program evaluation will continue and will be enhanced to examine the variations in participation rates.

The Ministry will also implement a targeted communication strategy to promote increased uptake of NGG participants across health-care sectors, with particular attention to the community—for example, in home care, long-term care, primary care and public health sectors.

The recommendation about nurse practitioner–led clinics is timely as the clinics transition from startup to full operations. The Ministry will review how it can apply greater oversight to these clinics and ensure accountability for outcomes including achievement of patient targets and program objectives. The Ministry will continue to take timely, appropriate action when non-compliance with agreements is identified.

Untimely Recovery of Unspent Funds

Organizations that receive transfer payment funding from the Ministry are required to submit annual financial statements. Subsequent to year-end, the Ministry reviews year-end financial statements to assess whether it is owed any surplus funds. Any payables to the Ministry are recovered from the transfer payment recipients.

For the nursing initiatives we examined in our audit, we found that some related transfer payment agreements did not set out time requirements for submitting or completing the financial reconciliation. For some organizations that received funding through the 9,000 Nurses Commitment, the information provided was lumped into broader programs instead of being broken down by initiative. For example:

- Our review of a sample of the organizations that received 9,000 Nurses Commitment funding found 36 programs for which many of the year-end reconciliations had not been completed on a timely basis.
- At the completion of our audit, the Ministry had completed reconciliations up to only 2009/10 for the Nursing Graduate Guarantee Program. Pending completion of the other years, the total amount of recoveries identified to date was at least $7.3 million. The Ministry was still in the process of recovering the funds.
- We looked at a sample of five nurse practitioner–led clinics and identified total operating funds of about $1.3 million owed to the Ministry for the 2011/12 fiscal year. This amount represented about 30% of the total funding provided to these clinics. In addition, the audited statements of two of the clinics showed about $360,000 owing to the Ministry for the 2010/11 fiscal year. Shortly after we completed our audit fieldwork, the Ministry indicated that it had identified approximately $3.4 million in recoveries related to 2009/10 and 2010/11, which it was in the process of recovering from the clinics. The Ministry also informed us that it is working to complete the reconciliations that remained for 2009/10, 2010/11 and 2011/12.

In October 2012, the Ministry of Finance's internal audit department issued a report on oversight and monitoring of transfer payment recipients that made observations similar to ours. It recommended establishing outcome-based performance measures and guidelines for review and analysis of financial reporting to increase consistency and enhance efficiency. The Ministry informed us that the focus of the strategy to date has been to establish capacity in the province by increasing the supply of providers, which relates to an output-based measure. It has plans to establish outcome-based performance measures and guidelines where appropriate.

RECOMMENDATION 3

To improve financial oversight of funded organizations and recover unspent funds, the Ministry of Health and Long-Term Care should perform timely reviews of relevant financial statements.

MINISTRY RESPONSE

The Ministry is committed to enhancing financial management systems to ensure optimal use of financial resources. In 2013/14, the Ministry is implementing processes that will ensure emphasis is placed on in-year review and analysis of financial reports submitted by funding recipients to support timely recovery or payment adjustments.

For the HealthForceOntario strategy, the Ministry has made significant progress over the past two fiscal years through dedicated efforts in the area of reconciliations. Its goal is to have all reconciliations current by March 31, 2014.

HEALTH HUMAN RESOURCE FORECASTING MODELS

Forecasting models are recognized as one important component of evidence-based health human resource planning. Good information and proper health human resources planning are essential if the Ministry and health system stakeholders are to work together to determine an appropriate number and mix of health professionals to meet the health needs of Ontarians across the province.

Better Physician Forecasting Data Needed

Some Canadian jurisdictions are engaged in physician forecasting and modelling. For example, Alberta and Nova Scotia have developed needs-based physician forecasting models similar to Ontario's to plan their physician supply requirements. This type of planning generally involves estimating the health services required to meet the needs of the population and then translating them into the number and type of physicians required to deliver those services.

Historically, physician human resources planning in Ontario has been supply- or utilization-based; however, this method does not provide a complete picture because it does not consider the population's health needs. In 2009, the Ministry partnered with the Ontario Medical Association and used a tendering process to select an external party to develop a new, needs-based model. The new model works by examining the population's health needs and translating them into needs for physician services, then comparing these needs to the supply of physician services currently available. Service gaps are quantified and converted into the number of physicians required to meet the needs.

Ontario's physician forecasting model is a positive step in determining physician workforce requirements. However, the model is hampered by the limited reliability and availability of data. We found that Ontario's model does not account for some important variables because of a lack of available quantifiable data on physician productivity. Physician productivity is an important component, and even small improvements in productivity can have a significant impact on the number of human resources required in the system.

During development, the consultant who built the model defined productivity as the number of patients seen in the physician's practice for a given period of time, noting several factors that affect physician productivity, including:

- information and communication technology (electronic health records, telemedicine);
- health system change (new or different primary health-care models, such as Family Health Teams);
- non-physician clinicians (other health-care providers working with physicians, such as NPs); and
- funding and compensation models.

Even for these four factors, specific quantifiable data for only one category of non-physician clinicians—NPs—was available and incorporated into the model.

Also, while physician human resource forecasting reflects factors such as workforce demographics and changing population health needs, it is also significantly affected by broader economic, social and health-system trends, as well as health technology advancements. Many of these other factors—the availability of diagnostic and laboratory equipment, operating-room time and space to perform surgeries, physician preferences for certain specialties and practice locations, and employment opportunities across the province—can affect access to and delivery of health-care services, but they are not easily incorporated into the model. Although the needs-based simulation model does make it possible to test "what-if" simulations that may help to assess the impact of some of these factors, it cannot incorporate all of them.

For these reasons, the results obtained from Ontario's physician forecasting model can be considered only one of many tools and pieces of evidence available to support policy formulation.

The model's limitations make it difficult to use in planning for the optimal number, mix and distribution of physicians with appropriate funding, training and deployment across the province.

Lack of Forecasting of Demand for Nursing Services

In 2008, the Ministry also engaged an external consultant to develop a needs-based nursing model that would be able to project the gap between the need for and the actual supply of RNs, RPNs and NPs in Ontario for each year over a 10-year period. Separate simulation models to test various health human resources policy scenarios were also developed for both RNs and RPNs.

Although the model cost about $435,000 to develop, it was initially not used to specifically inform any nursing policies because of concerns about the accuracy of its predictions.

In 2012, as part of its ongoing evidence development work, the Ministry found that the model had understated data for first-year enrolment of RNs in 2007 and incorrectly assumed that all RNs provided the same rate of direct patient care regardless of their years of experience; in practice, younger RNs just entering the profession may be providing different amounts of direct patient care than RNs near the end of their careers. The model had also applied an estimated percentage of total RNs providing direct patient care based on previous outdated data. The Ministry corrected the first-year enrolment data and updated the direct patient care data and completed two simulations. However, assumptions regarding attrition, retirement and workload were not updated, and no other data reviews were conducted.

The model has other limitations. For example, it forecasts the gap between supply and need at the provincial level but not at a regional level. At the time of model development, data on the patterns of service delivery for NPs was not available, and therefore the consultant was unable to conduct a simulation model analysis that would accurately estimate the requirements for this nursing group.

During the course of our audit, the Ministry was in the process of working with the Ministry of Training, Colleges and Universities to develop a supply-based nursing simulation model for RNs and RPNs, with results expected to be available by late 2013.

The Ministry advised us that the purpose of the supply-based simulation model is to help the government plan properly for future nursing education positions and formulate nursing recruitment and retention policies. The initial model is to provide projections for the future supply of nurses (RNs and RPNs) at the regional level and will enable planners to test the potential impact of policy changes on the supply, such as changes to enrolment numbers and percentages of full-time nurses, the introduction of incentives for working in rural and remote areas, shifting distribution of nurses by employment sector, recruitment and retention rates and other attrition factors. However, a supply-based model cannot assess whether the supply is appropriate because it does not take into account the population's need for nurses. In addition, the new supply-based model will not include NPs because some historical data specific to them is not available from the College of Nurses of Ontario. The Ministry informed us that the initial focus is on the future supply of nurses, which is important work that needs to be completed to support future needs-based modelling considerations.

To get better information to inform future policy work, the Ministry entered into an agreement with a large hospital in late 2012 to create a one-time snapshot of the current supply, distribution and predicted shortfall or surplus of RNs, RPNs and NPs working in selected primary healthcare organizations, long-term-care homes and acute-care hospitals across the province for the next three months. Each surveyed health organization is to report on current staffing, vacancies, details about leaves of absence and predictions of short-term staffing changes. There will also be a comprehensive analysis of the overall staffing situation in each area. This data will be used to identify which organizations and geographical areas are having difficulty in recruiting and retaining nurses in Ontario.

RECOMMENDATION 4

To provide reasonable and reliable forecasts of the requirements for physicians and nurses and to better ensure effective health human resources planning, the Ministry of Health and Long-Term Care should:

- conduct assessments of employment trends, the supply and projected needs for health services, and the associated health workforce requirements to best meet those needs cost-effectively; and
- for physicians and nurses, further refine its forecasting models and their capabilities to assess the impact of various factors on service-provider productivity.

MINISTRY RESPONSE

The Ministry agrees with the audit findings that its physician forecasting model is a positive step in determining physician workforce requirements. Similarly, the Ministry concurs with the audit observations regarding forecasting models as one of many types of tools that are required to support health human resource planning.

As such, the Ministry is actively engaged with the health sector to improve evidence for decision-making. Over the summer of 2013 the Ministry has been meeting with the field regarding the current health human resource environment, including how we continue to evolve and develop evidence. This work will contribute important information to inform future HealthForceOntario work.

The HealthForceOntario strategy will continue to provide innovative health human resource solutions to meet patient-care needs. Evidence for decision-making will continue to be a key aspect of the strategy and the Ministry will seek to enhance and expand tools, including forecasting models, to improve planning.

Chapter 3

Section

3.03 Healthy Schools Strategy

Ministry of Education

Background

While academic success is a major priority for the Ministry of Education (Ministry), so too is student health and well-being. Because healthy children are better prepared to learn, and schools can help students lead healthier lives, the Ministry has established the Healthy Schools Strategy to help support student learning and growth through proper nutrition and daily physical activity. To achieve better student health, the Ministry relies on the support of other government organizations, such as the Ministry of Health and Long-Term Care, which often takes a lead role in child and youth health-related matters, and the Ministry of Children and Youth Services, which sponsors programs to provide meals to students in many Ontario schools. The Healthy Schools Strategy also supports the efforts of parents, who play the primary role in child development.

The number of overweight children and youth in Canada has increased dramatically over the past 30 years. Nearly one in three students is overweight. Almost 12% are considered obese—almost twice as many as in the late 1970s. In addition, Statistics Canada says just 7% of Canadian children get the recommended 60 minutes of physical activity daily. The increasing rate of overweight children is a significant public concern, and in 2012 the Ontario government set a goal to reduce childhood obesity by 20% in five years.

The Ministry has the primary responsibility for developing and supporting the implementation of policies and programs related to students in publicly funded schools. In recent years, we have audited the Ministry's four key strategies designed to contribute to student achievement: Literacy and Numeracy Strategy (2009); Safe Schools Strategy (2010); Student Success Strategy (2011); and now the Healthy Schools Strategy.

Ontario's 72 publicly funded school boards are responsible for implementing Ministry policies and programs. These boards operate 4,900 elementary and secondary schools with an enrolment of approximately 2 million students. The Ministry advised us that it spent approximately $4 million annually over the three fiscal years 2009/10 to 2011/12 on activities related to the Healthy Schools Strategy.

Audit Objective and Scope

The objective of this audit was to assess whether the Ministry of Education and selected school boards had adequate procedures in place to:

- implement policies and initiatives designed to help improve health and academic achievement for Ontario's students through better eating habits and increased physical activity; and
- ensure the identification of good practices, oversight of schools, and the measurement and reporting of results.

Senior management at the Ministry and selected school boards reviewed and agreed to our audit objective and associated criteria.

Our audit work was conducted at the Ministry's Healthy Schools and Student Well-Being Unit, which holds primary responsibility for the Healthy Schools Strategy, as well as at three school boards and at selected elementary and secondary schools within these boards. The school boards we visited were the York Catholic District School Board, the Hamilton-Wentworth District School Board and the Trillium Lakelands District School Board.

We also spoke with representatives from a number of other ministries and organizations, including the Ministry of Health and Long-Term Care; Public Health Ontario, an arm's length government agency dedicated to protecting and promoting the health of all Ontarians; the Healthy Kids Panel, a body of experts that provided recommendations to the Minister of Health and Long-Term Care on how to reduce childhood obesity and improve children's health; the Ministry of Children and Youth Services, which provides oversight and funding for school-based student nutrition programs; local public health units that have a mandate to work with school boards and schools on topics such as healthy eating and physical activity; and the Ontario Society of Nutrition Professionals in Public Health, which represents dietitians working in public health.

In conducting our audit work, we reviewed relevant legislation, policies and procedures. We also met with appropriate staff from the Ministry and the school boards and schools visited, including supervisory officers, principals and teachers. We also researched policies and practices in other jurisdictions and consulted with experts with knowledge of healthy eating and physical activity in the school environment.

Summary

The Ministry of Education has recognized that healthy students are better prepared to learn and has taken several steps to help students increase their physical activity and eat healthier foods. For example, the Ministry has developed policies for the nutritional requirements of food and beverages sold in schools, and revised the school curriculum to require that all elementary students get 20 minutes of daily physical activity. However, the Ministry and school boards need to make greater efforts to ensure compliance with their requirements and they need to work more effectively with other organizations and stakeholders, including parents, to share best practices and achieve common goals. Our more significant concerns include the following:

- Neither the Ministry nor the school boards visited had an effective monitoring strategy in place to ensure that food and beverages sold in schools comply with the nutrition standards in the Ministry's School Food and Beverage Policy. To illustrate, none of the three school boards we visited had reviewed the food and beverages sold in their cafeterias to ensure that the items met nutrition standards. Furthermore, a cafeteria vendor at one school board did not have sufficient nutrition information to show compliance, and based on the nutrition information that was provided, we identified a number of instances where the products did not comply.
- Both the Ministry and school boards visited had limited data to assess whether the School Food and Beverage Policy contributed to better student eating behaviours. After introducing healthier food choices, secondary school cafeteria sales at the three boards visited decreased between 25% and 45%, and vending machine revenues dropped between 70% and 85%. The secondary school principals to whom we spoke indicated that many

students now prefer to eat at nearby fast food outlets instead of choosing the healthier foods offered in the school cafeteria.

- Information we received was not always complete in terms of nutritional detail or listing all food items available for sale. Nevertheless, our review of a sample of menu items at one school board identified a significant number that did not meet the nutrition criteria in the School Food and Beverage Policy, including some that deviated from it significantly. For example, we noted a soup that contained twice the amount of fat allowed, a side dish that exceeded the allowable limit of sodium by more than 40%, and a dessert that had just one quarter of the required amount of fibre.
- Many of the board and school staff we spoke to noted that children's eating habits can be more effectively influenced while children are still in elementary school. However, most elementary schools do not have cafeterias or otherwise give students the opportunity to make healthy food choices. Therefore, effective communication is critical to establishing healthy eating habits at an early age. Greater efforts are needed by boards and schools to identify and share good practices and the materials they have developed.
- There is no formal monitoring strategy at either the Ministry, the school boards or the schools visited to ensure that students in grades 1 to 8 get 20 minutes of daily physical activity during instruction time as the Ministry's curriculum requires. Two of the three boards we visited surveyed school representatives, and more than half of those who responded said that students at their schools did not get the required 20 minutes of daily physical activity. As well, a recent report by the Healthy Kids Panel said teachers find it difficult to integrate the policy and still achieve other learning goals, and that the policy did not appear to have had a significant impact on students' activity levels since it was introduced in 2005. The teachers we spoke to confirmed the Panel's observations.
- The Ministry's only requirement for physical activity at the secondary school level is the completion of one credit course in health and physical education during a student's four years of high school. A 2011 survey by the Centre for Addiction and Mental Health of students in grades 7 to 12 indicated that just 20% of students reported that they participated in 60 minutes of daily physical activity as recommended by the Canadian Physical Activity Guidelines. Some other jurisdictions have substantially greater physical activity requirements for secondary students; for example, Manitoba students must obtain four high school health and physical education credits in order to graduate, and British Columbia expects high school students to participate in at least 150 minutes of physical activity per week.
- The Ministry and school boards need to better integrate their activities with other ministries and organizations, and leverage their resources and expertise. For example, in the 2011/12 school year, student nutrition programs funded by the Ministry of Children and Youth Services provided almost 700,000 children and youth with meals and snacks at little or no cost that were subject to different nutrition standards than those of the Ministry of Education. In another example, in 2011, in preparation for the School Food and Beverage Policy's implementation, one board arranged for the local public health unit to make site visits to its schools' cafeterias and found that a significant number of items did not meet the Ministry's nutrition requirements. Although the health unit offered to undertake a subsequent review, the school board did not commit to a follow-up visit.

OVERALL MINISTRY RESPONSE

The Ministry of Education appreciates the work of the Auditor General in highlighting the contribution healthy schools make in supporting student learning and growth. The Ministry acknowledges the recommendations that suggest more needs to be done to help ensure that provincial policies related to healthy eating and physical activity are being implemented effectively across the province.

Although parents play the primary role in child development, through the education system, the Ministry is uniquely positioned to work with other ministries, such as the Ministry of Children and Youth Services (MCYS), the Ministry of Health and Long-Term Care (MOHLTC) and the Ministry of Tourism, Culture and Sport, to contribute to healthy child and youth development. For instance, the Ministry supports Ontario's Healthy Kids Strategy, a three-pronged approach to combat childhood obesity: start all kids on the path to health, change the food environment, and create healthy communities. In this regard, the Ministry works with MOHLTC and MCYS through a ministers' working group and steering committee to help implement elements of the Healthy Schools Strategy relevant to the Ministry's mandate.

Within schools, the Ontario curriculum continues to provide a foundation for healthy eating and physical activity and encourages the development, commitment and capacity to lead healthy, active lives. The Ministry has developed policies and programs specifically designed to complement the curriculum and create healthier learning environments for students. The report acknowledges the Ministry's efforts in this regard. In the interest of Ontario's students, the Ministry remains committed to continuing to work with all of its partners at the provincial, regional and local levels to examine implementation of healthy schools policies, explore opportunities to further promote and build capacity through evidence-based strategies, and align our collective efforts.

Finally, as the Ministry embarks on its extensive consultations on the next phase of Ontario's education strategy, a key conversation will be about student well-being and the role of schools in supporting it. As we continue to define the role of student well-being in the education system, any potential future ministry activity related to healthy eating and physical activity will need to be examined within this context.

Detailed Audit Observations

HEALTHY EATING

The number of overweight and obese children in Canada has increased dramatically over the past 30 years. Although the magnitude of the increase varies depending on the definition of overweight and obese, the trend is upward, and the increasing rate of overweight children is a significant public concern. This concern led to amendments to the *Education Act* in 2008 that gave the Minister of Education the power to establish policies with respect to nutrition standards for food and beverages provided on school premises.

In 2010, the Ministry introduced the School Food and Beverage Policy, which sets nutrition standards for food and beverages sold in publicly funded elementary and secondary schools. Ministry efforts have subsequently focused on providing supports to implement this policy. School boards were required to ensure that all food and beverages sold on school premises complied with the policy by September 1, 2011.

The Ministry expects its policy to improve the overall nutritional quality of food and beverages offered for sale in schools. This policy is also intended to complement what is taught through the curriculum and contribute to overall government efforts to encourage healthier food choices and improve student eating behaviours. As well, it is intended to complement what is already taught in health and physical education classes and contribute to overall government efforts to increase the percentage of school-aged children and youth who have healthy weights and decrease the rates of chronic weight-related health issues such as heart disease and type 2 diabetes. The Healthy Kids Panel recently reported that obesity alone cost Ontario about $4.5 billion in 2009, including $1.6 billion in direct health-care costs.

Monitoring Implementation of the School Food and Beverage Policy

Ministry efforts to ensure that school boards comply with the School Food and Beverage Policy were mainly limited to obtaining letters from the boards indicating they would be in compliance by September 1, 2011. The Ministry advised us that all but one of the 72 school boards had provided such a letter. The Ministry also initiated an annual support and monitoring plan in the 2012/13 school year to gain insight into the implementation of ministry policies and programs relating to healthy schools, including the School Food and Beverage Policy. As part of this process, the Ministry gave web-based seminars and distributed bulletins on related research and promising practices from the field. The Ministry also conducted site visits to 12 school boards and a number of schools in each of these boards. Although the Ministry did not specifically assess compliance with the School Food and Beverage Policy, it did identify strategies deemed important to the successful implementation of the policy, including working with community partners and engaging parents to promote healthy eating. The Ministry also identified school board challenges to the implementation of the policy, such as a decline in cafeteria revenues and concerns about parental support for the policy. The Ministry told us it plans to share the information gathered from these visits with all school boards.

The School Food and Beverage Policy says school boards are responsible for monitoring its implementation. However, we observed that centralized school board efforts to ensure compliance were either not in place or were limited. At all three school boards we visited, the responsibility to ensure compliance with the policy had been delegated in whole or in part to the school principals. As well, a recent survey of the perceptions of dietitians from public health units identified challenges that may warrant school board and/or ministry attention, including concerns regarding efforts to monitor for compliance, and inconsistencies in the policy's implementation from school to school.

Since the implementation of the School Food and Beverage Policy, none of the boards visited had reviewed the food and beverages sold in their school cafeterias to ensure that the items complied with the policy. This was of particular concern at one school board we visited where its cafeteria vendors either did not have sufficient nutrition information to show compliance with the policy, or the nutrition information provided identified a number of instances where items did not comply.

In lieu of direct monitoring or assessments, one of the school boards we visited required school principals to obtain letters from vendors indicating compliance with the School Food and Beverage Policy. Principals were also expected to complete a form concluding on whether the food and beverages sold were compliant. However, we were informed that in the 2012/13 school year the board did not collect the forms completed by principals, and the principals at the schools visited indicated that they did not maintain documentation to support their conclusions. At another board, we were told that school principals were required to obtain letters from vendors indicating that they would comply with the Ministry's policy. The principals were not expected to confirm that the items for sale did in fact comply. The third school board did not require principals to obtain or complete any documentation, and the principals at the schools we visited in this board did not formally monitor compliance with the policy.

None of the elementary schools in the boards we visited had cafeterias or vending machines. At two of the boards visited, food and beverages were seldom sold in elementary schools. However, we were told that elementary schools in the third board regularly offered food and beverages for sale. While the schools visited at this board had obtained letters from most of their vendors indicating they would comply with the policy, the schools had generally not formally assessed the nutrition information for the food sold in such programs to ensure that it complied.

Compliance with the School Food and Beverage Policy

Virtually all the secondary schools at the three school boards visited had a cafeteria for students to purchase food and beverages, and most had vending machines. External vendors operated the vast majority of cafeterias and vending machines. Since none of the boards we visited maintained nutrition information for the food and beverages sold in their cafeterias, we obtained nutrition information directly from these external vendors.

Information we received from the vendors was not always complete in terms of nutritional detail or listing all items available for sale. Nevertheless, our review of a sample of menu items at one school board identified a significant number that did not meet the nutrition criteria in the School Food and Beverage Policy, including some that deviated from it significantly. For example, we noted a soup that contained twice the amount of fat allowed, a side dish that exceeded the allowable limit of sodium by more than 40%, and a dessert that had just one quarter of the required amount of fibre.

Although our review of the information provided by vendors at the other two boards revealed only minor compliance exceptions, we noted that compliance with the policy presents challenges and might not always result in offering students the healthiest options or students making the healthiest choices:

- In some circumstances, where a serving contains more than one major ingredient, the School Food and Beverage Policy can be applied to individual product ingredients rather than the meal as a whole. If whole meal information is not available, each individual ingredient must comply with the policy's nutrition criteria. At two school boards we were supplied with information on the ingredients of entrees that had been classified as healthy options. Upon reviewing this information, we found examples where entrees were compliant because each ingredient met the nutrition criteria, whereas if the criteria for the meal as a whole were used, the entree would have been reclassified as a less healthy option or not permitted for sale in a school cafeteria because the sodium or fat exceeded the policy's limits.
- Compliance with the policy's nutrition standards can depend on portion size. Consequently, a student can purchase two servings that, although individually compliant with the policy, would not comply if they were deemed a single meal. For example, at one elementary school we visited, pizza was the most popular hot lunch offered for sale to students, and each piece complied with the policy. However, if two pieces were purchased, the meal would exceed the criteria for fat and sodium. We found that approximately 20% of students purchased more than one piece. We also observed that other pizza brands could have been ordered by the school that would have been compliant even if two pieces were consumed.
- We reviewed school board revenue information for the cafeterias that had sufficient comparable data and found that sales decreased by 25% to 45% at the three school boards visited following implementation of the School Food and Beverage Policy. Vending machine revenues at these school boards also dropped by about 70% to 85%. Most school board administrators indicated that the substantial decline in sales suggested

that the policy's introduction was not as successful as had been hoped. The secondary school principals generally shared this view and noted that many students now choose to eat lunch at nearby fast food outlets instead of eating the food available in the school cafeteria. A survey of dietitians from public health units also highlighted these concerns as challenges to the implementation of the policy. As well, cafeteria vendors from all three school boards identified concerns to varying degrees about their ability to meet the nutrition requirements while providing food at a reasonable price and quantity that was also appealing to students.

Training on the School Food and Beverage Policy

To reinforce the benefits of healthy eating and support the implementation of the School Food and Beverage Policy, which took effect in September 2011, the Ministry developed and distributed several resources to school boards. These included a resource guide for school board and school administrators and a quick reference guide for those responsible for purchasing food and beverages. Resource guides were also produced for elementary and secondary school teachers that included information about the policy's nutrition standards and strategies to make connections to healthy eating in classroom instruction.

The Ministry also provided three rounds of training between January 2010 and March 2012 for principals, teachers and public health staff. For each round of training the Ministry invited each school board to send seven to eight participants; in total, more than 1,200 school board staff were trained. The Ministry told us that the intent was for those who attended the sessions to subsequently train other teachers and principals in their school boards. Accordingly, the Ministry provided approximately $2.4 million in funding to school boards for such training.

All three school boards we visited indicated that they had provided additional training on the policy to all their principals in 2010; two of the boards said they also trained all their vice-principals. We observed that all three boards had used a train-the-trainer approach whereby they centrally provided training to teachers from individual schools who were expected to take that information back to the rest of the school's teachers and staff. Based on the information available, we found that the three boards trained between 5% and 15% of their teachers. However, none of the boards had collected information to determine how many teachers were subsequently trained by either these teachers or their principals.

At one school board, most teachers we spoke to indicated that they had not received training on the policy. At another board, less than half of the teachers to whom we spoke said they had received training although some instruction had been given in staff meetings. At the third school board, we were told that all teachers were trained during staff meetings, and almost all teachers to whom we spoke at this school board said they had received such training.

Overall, although both the Ministry and boards indicated that it would be beneficial for teachers to be trained on the requirements of the School Food and Beverage Policy and how to integrate healthy eating concepts into classroom instruction, including in subjects that do not cover curricular components on healthy eating, no procedures were in place to ensure that current and new teachers and school administrators received such training. In addition, many of the teachers to whom we spoke said teachers do not generally have the training to integrate healthy eating concepts into subjects that do not already include a curricular component on healthy eating. They also noted that, if the intent is for teachers to include healthy eating concepts in classroom instruction, healthy eating concepts should be added to the curriculum. The school board representatives to whom we spoke generally shared this view. Furthermore, a recent survey of the perceptions of dietitians from public health units cited a lack of buy-in and knowledge of the policy among school staff as one of the barriers to its successful implementation.

Measuring the School Food and Beverage Policy's Effectiveness

The Ministry issued the School Food and Beverage Policy to improve the overall nutritional quality of food and beverages offered for sale in schools. The policy was also intended to help reinforce the instruction provided to students on healthy eating through courses such as health and physical education. The Ministry's intent is to provide students with the opportunity to put into practice what they are taught in the classroom by ensuring that food and beverages sold in schools are healthy. However, the Ministry does not have information systems in place to gather data that would provide insight into the degree to which the policy has been successfully implemented. The Ministry has also not yet established how it plans to measure the success of the policy or assess whether it has contributed to healthier student eating behaviours.

As part of its Healthy Schools Strategy, the Ministry encouraged schools to participate in its Healthy Schools Recognition Program, a voluntary program in which schools pledge to undertake at least one healthy activity. From the time the program began in 2006 to its temporary suspension in the 2012/13 school year, the Ministry noted that more than 2,300 schools had pledged to undertake more than 11,600 healthy activities. The Ministry did not have aggregate information on how many such activities related to healthy eating or physical activity and could not say how many students these activities reached or whether they were effective in increasing physical activity or encouraging healthier eating. This was similarly the case at the school boards we visited, where we observed that participation in this program ranged from about 2% to 35% of schools in the 2011/12 school year. Also, the boards were generally unaware of the reach or effectiveness of school-based programs that might be in place.

The Ministry notes that the school environment has a significant impact on student attitudes, preferences and behaviours. The Ministry's policy groups food and beverages into three categories—"sell most," "sell less" and "not permitted for sale." Food and beverages meeting the "sell-most" nutrition criteria are described as the healthiest and must comprise at least 80% of available options. However, while many "sell-most" items are healthy options, they may not all be the healthiest options to encourage better eating behaviours. To illustrate, we noted examples in the "sell-most" category included hot dogs, pizza, muffins and cookies that meet nutrition requirements. The Ministry informed us that part of the intent is to teach students that it is possible to eat healthier versions of food not traditionally considered healthy, and it is better to offer healthier versions of the foods students prefer than have students eat unhealthy options elsewhere.

The School Food and Beverage Policy applies only to items sold at publicly funded schools. Since food and beverages were not generally sold in elementary schools at two of the three boards visited, the opportunity for the policy to affect students at the elementary level was limited at those boards. Only one of the three school boards visited gave students regular opportunities to purchase lunch supplied by a vendor. Thus, the impact of the policy at elementary school often is limited to food and beverages sold for fundraising and special events. Most school board representatives to whom we spoke said they could more effectively influence the eating habits of elementary students than secondary students. As well, a number of elementary school teachers and administrators indicated that more in-school opportunities could help their students develop healthier eating habits.

Two of the three school boards visited had not attempted to measure their success in implementing the policy or to determine how well they had contributed to healthier eating behaviours. Nevertheless, our discussions with school and board staff at these two boards revealed that most felt the food and beverages sold at their schools were healthier since the policy's implementation. The third school board had put in place a good practice to review its policy annually. As part of its most recent review, this board surveyed almost 200 stakeholders, including parents, students and school board staff. Most respondents said that the board's policy encouraged students to make healthier choices, that information about healthy eating had been provided to parents, and that foods with poor nutrition had been removed from the school. However, only half of the survey respondents indicated that students were now eating the more nutritious food available at school. As well, the majority of school staff we spoke to at this board said they had not seen a significant change in student eating habits since the policy's implementation. Overall, the results suggested that some progress had been made in encouraging healthier eating by students but significant work remained to be done.

RECOMMENDATION 1

To help ensure that offering healthier food choices in schools contributes to improved student eating behaviours and their goals of improving student health and academic achievement, the Ministry of Education (Ministry) and school boards should:

- develop consistent and effective strategies to monitor compliance with the Ministry's School Food and Beverage Policy, especially ensuring that all items sold in schools comply with the policy's nutrition standards;
- capture additional data on the benefits of and challenges to implementing the School Food and Beverage Policy in order to assess the policy's impact and identify areas on which to focus future efforts;
- ensure that school administrators and teachers receive sufficient training and supports on how to implement the policy and promote healthy eating concepts in the classroom; and
- develop measurable objectives and related performance indicators for healthy eating activities, and periodically measure progress in achieving these objectives.

MINISTRY RESPONSE

The Ministry agrees that in order to contribute to improving student eating behaviours, strategies need to be in place to effectively implement the School Food and Beverage Policy.

The School Food and Beverage Policy is one initiative intended to contribute to improved child and youth eating behaviours. It represents, for many, a significant shift in the type of food and beverages schools can choose to sell. The Ministry remains committed to its policy that if food and beverages are offered for sale in schools they meet nutrition standards.

As such, the Ministry will continue to engage with school boards, educators, students, parents and our partners in the health and food services sectors to promote effective evidence-based strategies that contribute to the promotion of healthy eating behaviours among Ontario's students.

The Ministry will do the following:

- review and improve our support and monitoring plan in an effort to capture and share implementation challenges, effective practices and supports;
- work with school boards to establish a risk-based approach to monitoring compliance and reporting on implementation of the School Food and Beverage Policy;
- provide implementation supports to those within the education sector, based on identified needs; and
- continue to encourage and foster the development of local partnerships between the education and health sectors to support implementation and contribute to improved student health and academic success.

The Ministry is also committed to developing measurable objectives and related performance indicators for its healthy eating activities, as part of a broader effort to establish objectives and indicators for its Healthy Schools Strategy.

RESPONSE OF SCHOOL BOARDS

All three school boards agreed with this recommendation and all three were supportive of the need to ensure that items sold in schools comply with the Ministry's School Food and Beverage Policy. One school board noted that more strategies to monitor the implementation of the policy would be helpful. Another school board indicated that it would be beneficial if an accreditation process was established for businesses that provide food services in Ontario education settings. Such a process, which would rely on professionals with expertise in nutrition, would strengthen compliance and allow educators to focus their resources on education.

All three school boards were also supportive of capturing additional data to assess the policy's impact and developing measurable objectives and performance indicators for activities intended to improve healthy eating. However, one board commented that any measurable objectives that are established must be manageable within the context of the education setting, and another board cautioned that it will always be a challenge to assess the impact on student eating habits because most meals and snacks are consumed at home and many factors impact what a student eats at home, including financial considerations.

The school boards were also supportive of the need to ensure that school administrators and teachers have sufficient training on how to implement the School Food and Beverage Policy and promote healthy eating concepts in the classroom. One board noted that providing training to teachers and principals to link healthy eating to the curriculum has the most positive potential to impact students' understanding of the impact that healthy eating can have on their quality of life. Another school board commented that it would be beneficial if healthy eating and nutrition was a mandated component of teacher pre-service programs.

PHYSICAL ACTIVITY

Research indicates that increased daily physical activity may help improve a student's academic achievement. In general, physical inactivity is increasingly becoming a national concern as several sources suggest that Canadian children and youth do not engage in the minimum 60 minutes of daily moderate-to-vigorous physical activity recommended by the Canadian Physical Activity Guidelines. For instance, Statistics Canada says just 7% of Canadian children aged six to 19 participated in at least 60 minutes of moderate-to-vigorous physical activity at least six days a week.

To address concerns about the health and physical fitness of students and to help improve academic achievement, in October 2005 the Ministry issued a policy on daily physical activity. The policy requires school boards to provide all elementary students (grades 1 to 8) with a minimum of 20 minutes of sustained moderate-to-vigorous physical activity each school day during instructional time. This policy noted that procedures must be developed to ensure the highest level of safety during such activities. To support the policy's implementation, the Ministry included these requirements in the elementary school curriculum. Schools were required to implement the policy fully by the end of the 2005/06 school year.

Implementation of Daily Physical Activity in Elementary School

The Ministry took a number of measures to support the implementation of daily physical activity in elementary school. These included developing daily physical activity resource guides for school boards, principals and teachers that also address safety; creating an e-learning module to provide guidance on how to implement daily physical activity, including ideas for such activities in the classroom; and funding school boards for purposes such as professional development for teachers and principals, the purchase of school athletic equipment and other resources.

As previously noted, in the 2012/13 school year, the Ministry visited 12 school boards and a number of schools in these boards to see how well the Healthy Schools Strategy was being implemented. Although the Ministry did not specifically measure the degree to which daily physical activity had been implemented, it identified promising practices and challenges. According to the Ministry, some good practices to increase physical activity included committed leadership by school staff and encouraging intramural sports. The most frequently identified challenges were limited time, space and facilities for physical activities. The Ministry plans to share this and other information gathered with all school boards.

The Daily Physical Activity Policy says school boards are responsible for monitoring its implementation to ensure that all elementary students receive 20 minutes of physical activity during instruction time each day. However, we found that none of the boards or schools we visited had a formal process in place to monitor whether students took part in the required physical activity. A study at a school board we did not visit noted that less than half of the students took part in physical activity every school day and not a single child engaged in sustained moderate-to-vigorous physical activity for 20 minutes or more. In addition, a 2013 report by the Healthy Kids Panel said that according to parents, teachers and students, the Daily Physical Activity Policy has not been implemented consistently and is not having the desired impact. The report also noted that teachers find it difficult to integrate daily physical activity into the school day and still achieve all other learning expectations.

At two of the school boards we visited, recent surveys suggested that the policy was not implemented as required. At one board, 63% of the school principals who responded to the survey said students did not get the required 20 minutes of daily physical activity for reasons that included a lack of time and space, as well as giving priority to other academic areas. At the other board, at least half of the school representatives who responded to the survey indicated that daily physical activity was not provided at their schools to the extent the policy required. At this board, the administration at an elementary school we visited said it did not require teachers to provide students with the opportunity for daily physical activity, choosing instead to focus efforts on literacy. At the third board, while no survey had been done, about half of the teachers to whom we spoke told us students did not get 20 minutes of daily physical activity. They cited reasons such as a lack of space to exercise in the classroom and a lack of time to schedule such activities around other curriculum requirements.

Secondary School Physical Activity Requirements

The only requirement for physical activity at the secondary school level is the completion of one credit course in health and physical education during a student's four years of high school. In many cases this requirement can be completed in just half a school year. According to the Ministry, secondary school students who graduated in 2012 earned an average of just over two health and physical education credits. However, 37% of these students completed only one health and physical education credit.

In addition to physical education classes, all three school boards provided opportunities for students to participate in intramural sports, competitive team sports and other activities such as dance. However, many students do not participate and these boards could not provide an overall indication of the participation time in such activities. Nevertheless, a 2011 survey by the Centre for Addiction and Mental Health found that only two in 10 Ontario high school students surveyed reported that they participated in 60 minutes of physical activity daily as recommended by the Canadian Physical Activity Guidelines.

Most of the staff to whom we spoke at the school boards and secondary schools we visited were of the opinion that more physical activity should be required for secondary students. The Ministry told us that it too saw value in requiring additional physical education for secondary students but noted a number of challenges in accommodating additional requirements, including all the other curricular commitments. Recent reports by the Healthy Kids Panel as well as Public Health Ontario and Cancer Care Ontario recommend making physical education compulsory in every year of high school.

In other provinces, more physical activity is required of students. For example, British Columbia expects high school students to participate in at least 150 minutes of moderate-to-vigorous physical activity per week; in Manitoba, secondary school students must obtain a minimum of four health and physical education credits.

Daily Physical Activity Policy Training

To support the implementation of its elementary school policy on daily physical activity, the Ministry provided school boards with approximately $15 million between the fiscal years 2005/06 and 2008/09 for purposes that included professional development for teachers and principals. However, the recent Ministry school board visits found that many boards identified a need for training on the Daily Physical Activity Policy.

The three boards we visited did not maintain records on how many principals and vice-principals had received training on the policy. However, one board informed us that it trained all principals and vice-principals while a second board said it trained all principals but not specifically vice-principals when the policy was introduced in the 2005/06 school year. The third board was unable to tell us how many of its principals and vice-principals were trained. None of the three boards had a process in place to train administrators appointed subsequent to the 2005/06 training.

The Ministry, as well as those to whom we spoke at all three school boards visited, indicated that all elementary teachers would benefit from training on how to implement daily physical activity in the classroom. Also, the three boards said training was provided to 15%, 30% and 45% of total elementary teachers, respectively. The boards expected these teachers to disseminate this information at their schools. However, the boards did not know how many of the other teachers were provided with training, and none of the schools we visited maintained records of how many of their teachers had received training on daily physical activity. Only one of the three school boards indicated that it offered new teachers training that included at least some instruction on daily physical activity, but we were informed that few new teachers participated in such training.

Ensuring Safe Physical Activities

The Ministry's Daily Physical Activity Policy for elementary school children stipulates that procedures must be developed to ensure the highest level of safety during physical activity sessions. Although safety information is included in the health and physical education curriculum, the Ministry encourages boards and schools to use the Ontario Physical Education Safety Guidelines put out by the Ontario Physical and Health Education Association (Ophea), a not-for-profit organization. These guidelines outline safe practices for teachers and other personnel involved in physical activities for students in order to minimize the risk of accidents or injuries. The guidelines address topics such as equipment, clothing and footwear, supervision and the facilities where activities take place.

Although the Ministry had not provided training on these safety guidelines, it partnered with Ophea to develop and distribute resource guides for school boards, principals and teachers on daily physical activity that included safety considerations. In addition, the Ministry entered into a contract with Ophea in 2012 to provide its safety guidelines on a publicly accessible website.

All three of the school boards visited said they required or strongly encouraged their schools to use Ophea's safety guidelines, but they had not provided training specifically on the guidelines to principals and vice-principals. Two of the three boards said they had provided specific training on the guidelines to some teachers.

The elementary schools we visited at the three boards could not determine how many teachers had received training on the safety guidelines. While almost all of the elementary teachers we interviewed at two of the school boards were aware of the guidelines, about half the elementary teachers we interviewed at the third board were not. At all three boards, none of the elementary teachers we interviewed said they had received training on the guidelines, although the majority thought at least some training would be beneficial.

Measuring the Effectiveness of Physical Activity Requirements

The Ministry expects its Daily Physical Activity Policy to not only increase students' physical activity but also contribute to decreased sedentary behaviour and improved student achievement. The Canadian Physical Activity Guidelines recommend 60 minutes of physical activity daily, well in excess of the Ministry's elementary school policy of 20 minutes per day during instruction time. Although students spend only part of their day at school, the Ministry did not have a rationale for why it set its requirement at just 20 minutes a day for elementary students. Other provinces, such as British Columbia and Alberta, expect elementary students to get 30 minutes of physical activity each school day, which can be achieved during instructional time and non-instructional time, such as recess. In addition, the Healthy Kids Panel recently recommended increasing the minimum amount of daily physical activity in elementary schools from 20 to 30 minutes.

We noted that the Ministry specified outcomes for elementary students in very general terms and had not established specific targets or measurable goals against which to measure and report on the success of its Daily Physical Activity Policy. We also noted that the Ministry and school boards do not have information systems in place to gather data that would show such progress. Consequently, more than seven years after the policy was issued, the Ministry has not formally measured its success. Furthermore, a recent report by an expert panel to the Minister of Health and Long-Term Care identified that the policy does not appear to have had a significant impact on student activity levels.

In contrast to Ontario, California requires students in grades 5, 7 and 9 to have an annual physical fitness test. The results of these tests are to be used to help students plan personal fitness programs, assist teachers in developing physical education programs, and provide parents with an understanding of their child's fitness level and needs. As well, these results are used to monitor changes in the physical fitness of California's students in general, and the aggregated results are reported publicly.

RECOMMENDATION 2

To help safely increase physical activity as well as contribute to reduced sedentary behaviour and improved academic achievement, the Ministry of Education (Ministry) and school boards should:

- assess options, including practices in other jurisdictions, for providing sufficient physical activity to both elementary and secondary school students;
- ensure that elementary school administrators and teachers receive sufficient training on good practices and on how to effectively incorporate daily physical activity into the school day;
- familiarize teachers with physical activity safety guidelines; and
- set specific goals and targets for increasing physical activity in schools, and periodically monitor, measure and publicly report on the progress made.

MINISTRY RESPONSE

The Ministry agrees that the education system is uniquely positioned to make a significant contribution to increasing awareness of the importance of physical activity and in helping to lay the foundation for increased physical activity among Ontario's students.

Recognizing the many benefits of physical activity, the Ministry is committed to full implementation of the Daily Physical Activity Policy and exploring options to increase physical activity opportunities in secondary schools. Any future decisions on revising physical activity requirements for elementary or secondary students will need to be informed through research and outcome-based evidence.

The Ministry will do the following:

- work on research on implementation of the policy, including examining the extent to which it is being implemented in Ontario's elementary schools and identifying factors associated with implementation;
- review and improve our support and monitoring plan in an effort to identify and share implementation challenges and effective practices of the policy and communicate strategies to increase physical activity opportunities in secondary schools;
- work with school boards to establish a risk-based approach to monitoring compliance and reporting on implementation of the policy;
- update, as necessary, and further promote existing ministry resources designed to assist with implementation of the policy;
- work with our partners to develop initiatives to help increase interest and motivate Ontario's students to lead active and healthy lives; and
- continue to work with the Ontario Physical and Health Education Association (Ophea) to promote and provide free and open access to the Ontario Physical Education Safety Guidelines.

RESPONSE OF SCHOOL BOARDS

All three school boards agreed with this recommendation. One school board commented that continued work to ensure that daily physical activity is provided to students and monitored is needed and the board will work collaboratively with the Ministry and others to explore best practices to provide opportunities for and monitoring of daily physical activity and to promote the importance of physical activity.

Another school board indicated that it strongly encouraged the recommendation to assess options to increase secondary school students' participation in physical activity and that increasing teacher training in policy implementation and communicating safety guidelines to all teachers will increase teacher confidence to undertake physical activity in the classroom setting. However, this board cautioned that goals and targets for increasing physical activity in schools should be well researched so that suggested strategies will be evidence-based.

The remaining school board noted that it would be beneficial if daily physical activity was a mandated component of teacher pre-service programs and that it would be beneficial if the Ministry would issue an updated online training module that informs educators of the key learning points related to daily physical activity and safety guidelines to ensure consistent and current messaging is communicated throughout the province. The board also noted that creating these modules at the provincial level would be both a cost-saving and time-saving measure.

COMMUNICATION WITH PARENTS

Parents play an important role in developing children's eating habits and in helping children learn to be active and stay active throughout their lives. The Healthy Kids Panel suggested developing a comprehensive social marketing program aimed at children, youth and parents to reinforce the importance of issues such as healthy eating and active living.

The Ministry said it does not generally engage in direct communication with parents but does provide information on its website about healthy eating and physical activity. Other ministry communication efforts include the distribution of a guide for parents concerning healthy schools that provides suggestions for physical activity and healthy eating. We noted that all three school boards we visited also provided information to parents on their websites. Such information included notification of events involving physical activity, a parent handbook, school board nutrition policies, information related to healthy eating and videos focusing on healthy eating. Other school board communications included providing parents with information on the School Food and Beverage Policy and providing schools with materials to be distributed to parents.

At the schools visited, we observed varying degrees of communication with parents. Such efforts included distributing information through newsletters, websites, parent meetings and direct conversations. However, many of the teachers to whom we spoke indicated that more outreach to parents to promote healthy eating was necessary to help improve the eating habits of students. As well, representatives from the public health units to whom we spoke were generally of the opinion that more communication with parents about healthy eating and physical activity was needed.

We also noted that neither the Ministry nor the school boards visited had evaluated how effectively they communicated with parents about healthy eating and physical activity. Nevertheless, one of the school boards did gather some insight into the effectiveness of its communication efforts by surveying stakeholders, including parents. For example, more than half the parents would like additional information about the board's nutrition policy but did not want information on healthy nutrition and how to put it into practice at home.

RECOMMENDATION 3

To help encourage healthier eating and increased physical activity among students, the Ministry of Education (Ministry) and school boards should further explore opportunities to improve communication with parents and assess the effectiveness of such efforts.

MINISTRY RESPONSE

The Ministry agrees that parents, as primary caregivers, are a critical audience to target information to on the importance of healthy eating and physical activity to overall child and youth development.

The Ministry will work with school boards and parents to identify appropriate and effective means to communicate information to parents across the province on ministry requirements and activities related to healthy eating and safe physical activity. The Ministry will also work with other ministries and partners to support connections with parents and students through the education system.

RESPONSE OF SCHOOL BOARDS

All three school boards agreed with the recommendation and were supportive of exploring opportunities to improve communication with parents. One board indicated that increased parental awareness of healthy habits should be very beneficial to students and noted that while the development and implementation of practices to monitor communication strategies could take considerable time and effort, gains in student health will justify the effort needed to encourage best practices in this area. Another board commented that parental involvement is a priority since parents have the primary responsibility for their children's health and well-being and that school boards have a responsibility to work with other stakeholders to promote student health and well-being. The remaining board noted that it would be beneficial if the government launched a communication strategy regarding healthy nutrition and physical activity with messaging that reinforces adults as role models to health and well-being and that such a strategy could include the distribution of information to families through school boards via newsletters and websites.

CO-OPERATION WITH OTHER MINISTRIES AND ORGANIZATIONS

The goals of the Ministry's policies on daily physical activity and food and beverages are to contribute to better student health and academic achievement. Other ministries and organizations have complementary goals or activities, including the Ministry of Health and Long-Term Care, public health units and the Ministry of Children and Youth Services (MCYS). The Ministry, school boards and schools often co-operate with these and other ministries, organizations and stakeholder groups to develop policies and help implement healthy school initiatives.

Although the school boards and schools we visited work with many other organizations, the activities of these organizations did not formally factor into the school boards' strategies to promote healthier eating or increased physical activity among students. As well, the Ministry and the school boards we visited generally did not have information about the contribution of other organizations to the development of healthier eating habits by students or increasing their physical activity at the school level. Nevertheless, we observed programs and supports in place at the schools we visited that could help the Ministry and school boards achieve their goals concerning better student health and academic achievement.

For example, Ontario's local boards of health, through the public health units they govern, have a mandate to work with school boards and schools to influence the development and implementation of health-related initiatives. At the school boards visited, we were advised that a number of schools worked with public health units to promote student health activities through school teams or committees of various school stakeholders. Such activities included presentations on healthy eating, cooking lessons to help students establish better eating habits, and a campaign that encouraged students to put down their electronic devices and engage in physical activity. Gathering additional information on the success of such initiatives can help school boards identify successful activities worth implementing in other schools.

In one specific example, just prior to the 2011 implementation deadline for the School Food and Beverage Policy, one board in co-operation with dietitians from public health conducted visits to schools to gauge how well the board's cafeteria vendor had begun to implement the policy. The dietitians identified a significant number of items that did not meet nutrition requirements and offered to undertake a subsequent review. However, the school board did not commit to any follow-up visits. In general, dietitians from public health units could be a resource to provide school boards and principals with the expertise needed to assess the nutrition of items sold to students to reinforce the value of healthier eating habits.

MCYS provides partial funding for student nutrition programs in many of Ontario's schools. The goal of these programs is to support the healthy growth and development of students by providing them with generally free meals and snacks so that they are ready to learn. According to MCYS, when children and youth arrive at school hungry, their capacity to learn is diminished. Many of the schools at the three boards we visited had student nutrition programs. According to MCYS, almost 700,000 students province-wide participated in such nutrition programs in the 2011/12 school year. These nutrition programs can promote healthy eating by students, particularly at the elementary level where there may be fewer opportunities for the Ministry's School Food and Beverage Policy to affect student behaviours.

The Ministry of Education's School Food and Beverage Policy does not apply to food and beverages that are provided to students free of charge, and the providers of these products and other nutrition program providers were not required to follow MCYS nutrition guidelines. Although all three school boards that we visited recommended or required that their schools follow MCYS nutrition guidelines, neither the school boards nor the schools we visited monitored these programs for compliance with the guidelines. In addition, at the three school boards visited, only half of the organizations that work with MCYS to provide nutrition programs visited schools to monitor compliance with these nutrition programs. A recent report by the Healthy Kids Panel recommended developing a single standard for food and beverages served or sold in schools, as other provinces have done. The school nutrition policies in provinces such as Nova Scotia and New Brunswick apply equally to food sold to students and food provided to them free of charge.

RECOMMENDATION 4

The Ministry of Education (Ministry) and school boards should work more effectively with other relevant organizations with similar goals to better integrate and leverage their activities to help encourage healthier eating and physical activity among students.

MINISTRY RESPONSE

The Ministry agrees that given the numerous other ministries, levels of government, not-for-profit organizations and other groups involved in activities designed to encourage healthy eating and physical activity among children and youth, it is important to mobilize collective knowledge, resources and efforts.

Throughout the development and implementation phases of its policies related to healthy eating and physical activity, the Ministry has relied on input and expertise from within government, the broader public sector and not-for-profit organizations.

The Ministry will continue to work with other ministries and partners to help encourage healthier eating and physical activity. For instance, the Ministry will do the following:

- support implementation of Ontario's Healthy Kids Strategy;
- continue to consult with education- and school-based health organizations on matters related to healthy schools;
- examine ways to build strong, collaborative and sustainable partnerships between school boards and public health units;
- highlight the important role that public health and other community agencies and regional networks can play in supporting implementation of ministry policies through its support and monitoring plan; and
- continue to meet with representatives from other Canadian jurisdictions to discuss and share practices intended to improve the overall health of young people.

RESPONSE OF SCHOOL BOARDS

All three school boards agreed with the recommendation. One board commented that a more co-ordinated effort among all those invested in children's health would definitely be helpful and that better sharing of information among those involved in children's health could greatly increase the effectiveness of each group's efforts. Another board commented that effective partnerships, consulting, co-planning and co-funding with other relevant organizations with similar goals can all help encourage healthier eating and physical activity among students. The remaining board commented that following significant work in the past few years to establish working relationships between the board and community organizations, the board planned to expand its collaborative work to focus on overall student well-being.

Chapter 3

Section

3.04

Ministry of Health and Long-Term Care

Land Ambulance Services

Background

RESPONSIBILITIES

The provision of land ambulance services in Ontario is governed by the *Ambulance Act* (Act). Under the Act, the Minister of Health and Long-Term Care must ensure "the existence throughout Ontario of a balanced and integrated system of ambulance services and communication services used in dispatching ambulances." The Act further states that every municipality will "be responsible for ensuring the proper provision of land ambulance services in the municipality in accordance with the needs of persons in the municipality." Accordingly, 42 municipalities and eight other designated delivery agents, primarily in remote areas (collectively referred to in this report as municipalities) are responsible for providing land ambulance services in Ontario. Most municipalities provide the services directly, although about 15% have chosen to contract with a third-party provider. Two types of paramedics generally provide land ambulance services—primary care paramedics (who perform basic and some advanced life support procedures) and advanced care paramedics (who perform basic and all advanced life support procedures). In total, municipalities have about 830 ambulances and an additional 300 emergency response vehicles (which have a paramedic but cannot transport patients).

The Ministry of Health and Long-Term Care (Ministry) oversees ambulance services based on requirements set out in the Act. The Ministry's responsibilities include setting patient-care and ambulance equipment standards, monitoring and ensuring compliance with those standards, and, through service reviews, certifying ambulance service providers to operate in Ontario. The Ministry's land ambulance functions employ about 560 full-time equivalent staff, most of whom work at Ministry-run dispatch centres.

DISPATCH CENTRES AND BASE HOSPITALS

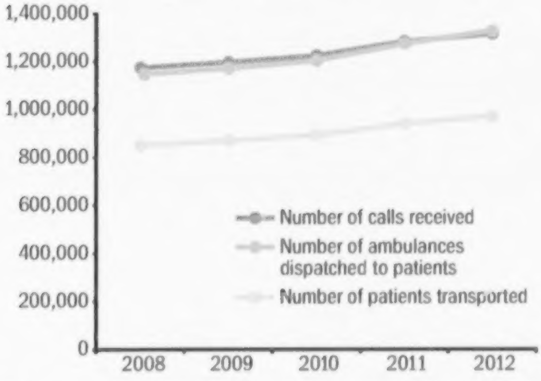
Twenty-two dispatch centres are responsible for dispatching Ontario's land ambulances. Of these, 11 are run by the Ministry, six by hospitals, four by municipalities and one by a private operator. Seven base hospitals (each of which comprises a group of doctors working out of an established hospital) provide medical oversight to paramedics—including any required advice on pre-hospital patient care, as well as continuing education. Since 2008, the number of calls requesting an ambulance, the number of ambulances dispatched and the number of patients transported have been gradually increasing, as shown in Figure 1. In 2012, about 1.3 million ambulances were dispatched and about 970,000 patients were transported in Ontario, an increase of about 15% for both since 2008.

FUNDING

Over the last few years, the Ministry has funded about 50% of each municipality's prior-year costs for municipal land ambulance services, plus an increase for inflation. The Ministry funds 100% of the cost of land ambulance services for the 10 First Nations ambulance services and for certain other (primarily remote) areas. The Ministry also funds 100% of the Ministry-approved costs of ambulance dispatch centres and base hospitals. For the 2011/12 fiscal year, total land ambulance costs were an estimated $1.1 billion, which includes $627 million of ministry funding (as shown in Figure 2) and $477 million of municipal funding. Ministry funding includes $12 million for the offload nurse program, in which hospital nurses take responsibility for ambulance patients in order to reduce ambulance delays at busy hospitals.

Figure 1: Number of Calls Received, Ambulances Dispatched to Patients,[1,2] and Patients Transported, 2008–2012

Source of data: Ministry of Health and Long-Term Care



1. Although not included in the number of ambulances dispatched to patients, dispatch workload also involves dispatching emergency response vehicles (which occurred 116,000 times in 2012) and repositioning ambulances—for example, to be closer to the next anticipated call (which happened 620,000 times in 2012).
2. While an ambulance is generally dispatched for each call received, in some cases (such as when there is a highway traffic accident), many more calls are received than ambulances dispatched. In other cases (such as when the closest ambulance is dispatched, as well as when the closest ambulance with an advanced care paramedic is dispatched), more ambulances are dispatched than calls received.

There is a glossary of terms at the end of this report.

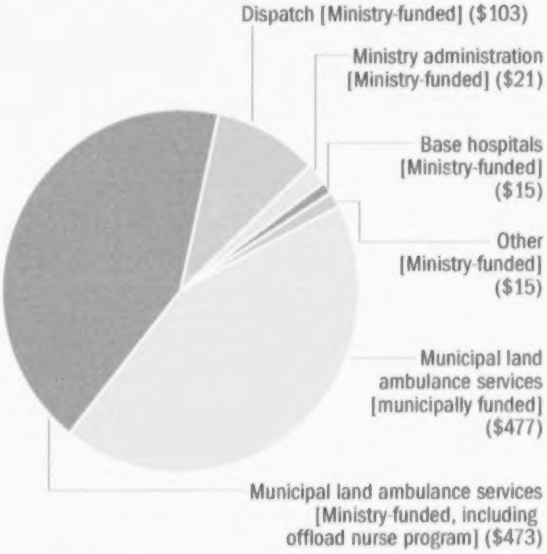
Audit Objective and Scope

Our audit objective was to assess whether the Ministry has procedures in place to ensure that municipal land ambulance services are meeting Ontarians' transportation health-care needs in a cost-effective manner and are in compliance with ministry and legislative requirements. Senior management at the Ministry reviewed and agreed to our objective and associated audit criteria.

Our audit work was primarily conducted at the Ministry's Emergency Health Services Branch. We also visited three municipal ambulance services—Toronto Emergency Medical Services (run by the City of Toronto), the Superior North Emergency Medical Service (run by the City of Thunder Bay),

Figure 2: Estimated Ministry and Municipal Expenditures on Land Ambulance Services, 2011/12 ($ million)

Source of data: Ministry of Health and Long-Term Care



and Essex-Windsor Emergency Medical Services (run by the County of Essex)—to examine certain accounting records relating to ministry grants paid to municipalities, as well as to obtain their perspective on the delivery of land ambulance services in Ontario. In addition, we visited two dispatch centres—one operated by the Ministry and one operated by a municipality—and a base hospital to obtain further information on their policies and practices regarding land ambulance services. We also spoke with representatives from the Ontario Association of Paramedic Chiefs (a not-for-profit organization consisting of senior management from 46 municipalities and nine contracted ambulance service providers that provides advice to the Ministry regarding emergency medical services) and from the Ontario Hospital Association to obtain their perspectives on land ambulance services, as well as with representatives from the Ontario Stroke Network and the Cardiac Care Network of Ontario to learn more about ambulance transportation of stroke and cardiac patients, respectively.

In conducting our audit, we reviewed relevant documents and administrative policies and procedures; analyzed information; interviewed appropriate staff from the Ministry, municipal land ambulance services, base hospitals, and dispatch centres; and reviewed relevant research from Ontario and other jurisdictions. In addition, we asked the Ministry to run a number of computer reports to assist in our analysis of dispatch protocols. We also engaged two independent consultants, each of whom has expert knowledge of land ambulance services, to advise us.

Summary

Ministry funding to municipalities almost doubled between the 2004/05 and 2011/12 fiscal years, with the largest increases between 2004/05 and 2008/09 reflecting the government's commitment to provide 50% of the cost of land ambulance services and thereby increasing the grant from $241 million to $401 million to meet that commitment. Since 2008/09, annual increases have averaged 6%. Overall, while the cost to fund land ambulance services almost doubled, the number of patients transported in that same time frame increased by only 18%. The Ministry does not know whether the additional funding has resulted in better value for money in terms of service levels and patient outcomes. Ministry data indicated that since 2005 there has been some improvement in ambulance response times, but in the 2012 calendar year still only about 60% of the 50 municipalities responded to 90% of their emergency calls within 15 minutes, as shown in Figure 5. Furthermore, there is no patient-centred measure of the time from receipt of an ambulance call to the time an ambulance arrives at a patient's location.

The Ministry's funding formula provides more funding to land ambulance services that spend more, regardless of the level of service they actually provide. The Ministry indicated that varying service levels were expected and that it had not compared the funding provided to each municipality with the ambulance services provided. Further, the Ministry had not determined the reasons for variations in funding, which could result from differences in the distances ambulances travel for patients (urban versus rural), efficiency of ambulance operations, or municipal priorities and tax-based funding. Data from the Ontario Municipal Benchmarking Initiative representing some municipalities indicated that the 2012 total cost per hour of land ambulance services among 13 reporting municipalities ranged from a low of $156 to a high of $247, with significant cost variations even among urban municipalities.

The Ministry has not tracked or reviewed any patient outcome information, such as the survival rates for people with cardiac arrest or stroke who were transported to hospital, either overall or by ambulance service. This type of information could be used to improve ambulance services. There have been some improvements to parts of the quality assurance processes since our audit in 2005, such as more timely service review follow-ups. However, more work is needed to ensure that dispatch staff are consistently evaluated and that their workloads remain reasonable in order to prevent errors in the dispatch process.

In addition, we noted the following other areas where action is required.

Ambulance Service Response Times

- Although the Ministry has recently set more meaningful response-time measures for the most time-sensitive patients (such as those who are choking or experiencing cardiac arrest), it has not set standard response-time targets for other urgent patients, such as stroke patients or most heart attack patients. Each municipality sets its own response-time targets for transporting these patients, and the targets vary significantly based on factors such as geographic distances and the amount of tax-based funding available to municipalities.
- The Ministry needs to ensure that response times are reported by municipalities in a consistent and comparable manner, factoring in geographic differences, so that users can meaningfully compare their municipality's performance with others. In 2006, the Standing Committee on Public Accounts (PAC) recommended that response-time targets be similar for similar communities. Although recommended by the Ministry's Response Time Standard Working Group in 2006, definitions to distinguish target response times for different geographic areas have not yet been developed.
- The Ministry expects to start publicly reporting municipal land ambulance response times in 2014. Under the Ministry's new approach for measuring ambulance response times, municipalities will no longer report times based on the call's assessed urgency when the ambulance is dispatched to pick up a patient. Instead, they will report on how quickly patients are reached based on paramedics' assessment of each patient when the ambulance arrives at the scene. The Ministry had not analyzed the inherent difficulties in using this retrospective approach to measure ambulance response times. We found no other jurisdiction that used a similar approach. Other jurisdictions generally measure response time based on a call's assessed urgency at the time of dispatch.

Dispatch

- In 2012, 20 of the 22 dispatch centres tracked their time to dispatch emergency calls. None of them dispatched 90% of emergency calls within two minutes, as required by ministry policy. However, all dispatched 90% of these calls within three and a half minutes. Even though dispatch is legislatively a ministry responsibility and half of the dispatch centres are Ministry-run, starting in 2013, each dispatch centre can choose what percentage of high-priority calls it needs to dispatch within two minutes. We noted that the chosen percentages ranged from a low of 70% to a high of 90%, which may affect response times for urgent patients.
- Dispatch protocols are generally designed to over-prioritize calls when there is uncertainty about a patient's condition. Only about 25% of patients actually require an urgent response, but about two-thirds of calls are prioritized at the most urgent code, requiring the fastest response. The municipalities we spoke with indicated that over-prioritizing this many calls can leave few or no ambulances available to respond to new calls that are truly urgent, thereby causing delays. The two dispatch centres that use a different type of dispatch system experienced less over-prioritization.

- The Ministry has not assessed whether the current number of dispatch centres is optimal for performance. Centralized dispatch may help to contain costs and ensure that the closest ambulance responds to a call.
- Only one dispatch centre is able to provide callers with the locations of publicly accessible automated external defibrillators (AEDs), which can significantly improve survival rates for cardiac arrest patients if available within minutes. The other dispatch centres are not able to tell callers whether there is an AED nearby. It may therefore take the caller additional time to locate an AED and could increase the risk to the patient.
- Non-ambulance emergency response vehicles, which cannot transport patients and which require that an ambulance also be dispatched, account for about 25% of the municipal ambulance fleet, yet such vehicles responded to only 10% of calls. These vehicles are about 50% Ministry-funded, and the municipalities we visited indicated that they were often used for administrative purposes rather than being deployed for ambulance calls. A portion of provincial funding could potentially be better directed to serving callers.

Patient Transport to Hospital

- The Ministry has no provincial protocol to enable consistent identification of certain heart attack patients (called "STEMI" patients, which stands for ST-segment elevation myocardial infarction—a type of heart attack resulting from a blocked artery). Outcomes for STEMI patients can be greatly improved if they are transported in time to specialized care centres. A June 2013 survey conducted by the Cardiac Care Network of Ontario indicated that not all ambulances had both the appropriate ECG equipment and paramedics trained to read the test results to identify STEMI patients and thereby help ensure timely treatment with better outcomes.
- Ministry policy requires that all patients be transported by an ambulance responding to a call unless the patient signs a form refusing transport. The Ministry has not assessed using emergency department diversion strategies to reduce ambulance wait times at emergency departments and free them up to respond to new calls more quickly. Strategies similar to those used successfully in other jurisdictions include referring low-risk patients to Telehealth Ontario to obtain a nurse's advice or having paramedics treat low-risk patients at the scene without transporting them. Notwithstanding this, we noted that in 2012 over 25% (or about 350,000) of ambulances dispatched did not transport a patient. The Ministry has not assessed the underlying reasons to determine, for example, how many of these situations arose from patient refusals, calls cancelled before arrival of an ambulance or paramedics having successfully treated patients at the scene.

Patient Transfer at Hospital

- The Ministry started funding an offload nurse program in 2008 as a temporary measure to reduce the time ambulances spend waiting at hospitals for patients to be accepted. It has not evaluated this program's ongoing effectiveness or analyzed whether there are more cost-effective ways to reduce offload delays. Between the 2008/09 and 2012/13 fiscal years, ministry funding for this program totalled $40 million. We found that since this program was implemented, ambulance waiting time has actually increased at 20% of the hospitals funded.
- Ministry data indicated that offload wait times of more than 30 minutes occurred for about 80% of the ambulances transporting the most urgent patients, but the Ministry generally did not know whether this was due to the hospital not accepting the patient or other reasons, such as time spent cleaning and restocking the

ambulance. Hospitals in only one municipality in the province inform that municipality's dispatch centre when a patient is accepted. Therefore this is the only municipality able to determine the time it takes hospitals to accept a patient once an ambulance arrives.

- Paramedics orally brief emergency department staff about the patient. Patient records generally cannot be electronically shared because the electronic patient-care records introduced by most municipal land ambulance services over the last few years are not compatible with hospital systems. In some cases, patient-care records are not received by emergency departments until days later and some test results are not received at all, which could affect time-sensitive treatment decisions.

Quality Assurance Over Patient Care

- The Ministry has assigned responsibility for oversight of the vast majority of paramedic patient-care activities (referred to as "basic life support activities" and including management of chest pain, childbirth and hip fractures) to municipal land ambulance services. Base-hospital physicians, who are responsible for reviewing paramedics' performance of more complex or risky medical procedures, told us that municipal land ambulance services may not have the expertise to provide proper medical oversight of basic life support activities performed by paramedics.

Detailed Audit Observations

RESPONSE PRIORITIZATION AND TIME

Many jurisdictions measure overall ambulance response time—that is, from when a dispatch centre receives a call to when the ambulance arrives at the patient's location. In Ontario, two separate response-time measures are used: the dispatch response time (that is, the time from call receipt until a dispatcher advises an ambulance service to send an ambulance) and the ambulance response time (that is, the time from when the dispatcher notifies the ambulance service until the ambulance arrives at the patient's location). This approach enables the Ministry, which has legislative control over dispatch, to monitor dispatch response times, and the municipalities, which control ambulance service provision, to monitor ambulance response times.

Most 911 requests for land ambulances are transferred to the local dispatch centre nearest the caller. Twenty of the 22 dispatch centres prioritize calls using a dispatch protocol, which was developed by the Ministry with input from physicians, called the Dispatch Priority Card Index II (DPCI II), as described in Figure 3 column A. The other two dispatch centres prioritize calls with the internationally used Medical Priority Dispatch System (MPDS) codes, as described in Figure 3 column B. DPCI II Code 4, as well as MPDS Codes Echo and Delta, are all considered emergencies, and ambulances are sent out to such calls generally with lights and sirens. Upon arrival at the patient's location, paramedics assess how urgently the patient requires care using the same scale used in emergency departments: the Canadian Triage and Acuity Scale (CTAS), as described in Figure 3 column C.

Until December 2012, ministry policy required both dispatch and ambulance response times to be tracked for all emergency calls. In 2012, almost 710,000 (60%) of ambulances dispatched to patients were for calls classified as emergencies (that is, DPCI Code 4 or MPDS Codes Echo or Delta). Changes to a regulation under the *Ambulance Act* that took effect in January 2013 require tracking of specific dispatch and ambulance response-time measures for only those patients whose conditions are classified as CTAS 1 by the paramedics who arrive on the scene. The Ministry indicated that this new requirement was based on recommendations made in 2006 by the Response Time Standard Working Group, which consisted of

Figure 3: Three Ways of Prioritizing Patient Conditions When an Ambulance Is Needed, from Most to Least Urgent

Source of data: Ministry of Health and Long-Term Care, Toronto Emergency Medical Services, and Canadian Association of Emergency Physicians

A. Dispatch Priority Card Index (DPCI) II		B. Medical Priority Dispatch System (MPDS)		C. Canadian Triage and Acuity Scale (CTAS)	
Used by 20 of Ontario's 22 dispatch centres to prioritize calls received		**Used by 2 of Ontario's 22 dispatch centres to prioritize calls received**		**Used by paramedics when ambulance reaches patient's location**	
Code	**Description**	**Code**	**Description**	**CTAS Level**	**Description**
4	*Urgent/Emergency:* life- or limb- threatening; person requires immediate attention Examples: cardiac arrest*; stroke; major or moderate trauma (severe injuries or fractures); major and moderate asthma	Echo	Life-threatening calls, usually identified early in call; excludes calls with scene safety concerns, such as gunshot to chest Examples: cardiac arrest*; choking; severe asthma	1	*Resuscitation* Examples: cardiac* and/or respiratory arrest; major trauma (severe injury or burns); unconsciousness
3	*Prompt:* all other calls	Delta	Other life-threatening calls Examples: major trauma (severe injury); unconsciousness; gunshot to chest	2	*Emergent* Examples: chest pain with cardiac features; stroke; serious infections
2	*Scheduled:* transfers between health-care facilities (e.g., for diagnostic tests or treatment); delay not detrimental to patient safety	Charlie	Calls involving, for example, chest pain with cardiac features or stroke, as well as conditions benefiting from assessment by advanced-care paramedic, such as a person requiring intravenous glucose; irregular heart rhythms requiring an ECG test	3	*Urgent* Examples: moderate trauma (fractures, dislocations); moderate asthma
1	*Deferrable:* unscheduled inter-facility transfer or low-risk lift assists (e.g., person has fallen and is unable to get up, but has no injuries); delay not detrimental to patient safety	Bravo	Calls involving, for example, moderate trauma (fractures, dislocations) or calls where patient condition is unknown (e.g., caller is unable to answer questions)	4	*Less urgent* Examples: constipation with mild pain; chronic back pain; earache
		Alpha	Less-serious calls from the community Examples: constipation with mild pain; chronic back pain; minor trauma (minor lacerations, sprain)	5	*Non-urgent* Examples: minor trauma (sprains, minor lacerations); request for medication or dressing change; sore throat
		Alpha 1, 2, and 3	Calls primarily from long-term-care homes; patient condition less serious		
		Omega	No ambulance transportation required; caller connected with appropriate assistance (e.g., Telehealth)		

* In cardiac arrest, the heart stops beating. In a heart attack, part of the heart muscle is damaged due to lack of oxygen caused by a blocked artery.

ministry, municipal and physician representatives and reported to the Land Ambulance Committee, which was co-chaired by the Ministry and the Association of Municipalities of Ontario (AMO). Ministry policy still requires those dispatch centres that use DPCI II to track their response times for all emergency calls.

Studies have indicated that a one- or two-minute delay in the arrival of emergency medical personnel can significantly affect the survival of CTAS 1 patients. In 2012, fewer than 12,000 calls, or less than 1% of total calls, involved CTAS 1 patients. Therefore, under the new regulation, tracking of specific response times is required only for this relatively small number of ambulance calls. Figure 4 shows both the pre- and post-2013 response-time standards.

Measuring Dispatch Response Times

In 2012, 20 of the 22 dispatch centres tracked the time it took them to respond to emergency calls. None of them dispatched 90% of emergency calls within two minutes as required by ministry policy. However, all dispatched 90% of these calls within three and a half minutes.

As required by changes to a regulation under the *Ambulance Act*, each dispatch centre was to establish by October 2012 a target for the percentage of calls to be dispatched within two minutes when those calls involve a patient who is determined by the paramedic, when the ambulance reaches the patient, to be experiencing either sudden cardiac arrest or any other CTAS 1 condition. That is, after the paramedic reaches the patient, he or she assesses whether or not the call should have been dispatched within two minutes. As a result, the determination of which calls were required to be dispatched within the two-minute standard occurs only *after* the paramedic reaches the patient, rather than at the time of dispatch.

Even though dispatch is legislatively a ministry responsibility, and half of Ontario's 22 dispatch centres are Ministry-run, each dispatch centre can choose its own target for the percentage of calls to be dispatched within two minutes. These targets do not require ministry approval. For the 2013 calendar year, we noted that the targeted compliance rate ranged from a low at two dispatch centres of 70% of emergency calls dispatched within two minutes to a high at seven dispatch centres of 90%.

Measuring Municipal Ambulance Service Response Times

As noted earlier, ambulance response times are measured separately from dispatch response times. Ministry data indicated that since 2005, there has been some improvement in ambulance response times, but in the 2012 calendar year, still only about 60% of the 50 municipalities responded to 90% of their emergency calls within 15 minutes, as shown in Figure 5.

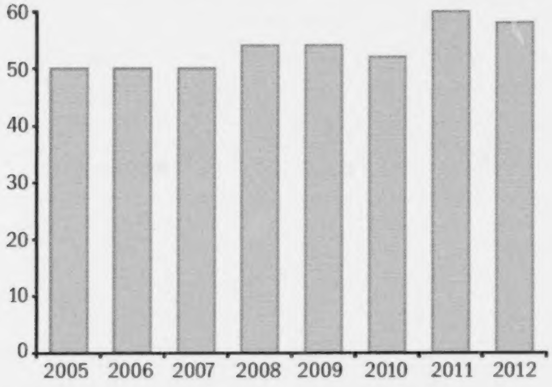
Figure 4: Response-time Standards, Pre- and Post-January 2013

Source of data: Ministry of Health and Long-Term Care and *Ambulance Act*

	Dispatch	Ambulance Service
Pre-2013	90% of Code 4 calls within 2 minutes, per ministry policy	90% of Code 4 calls within the actual time it took to respond to 90% of Code 4 calls in 1996
Commencing January 2013	Dispatch centres measure whether 90% of Code 4 calls are dispatched within 2 minutes, per ministry policy.	Municipality measures the percentage of cardiac arrest patients reached with an automated external defibrillator within 6 minutes and the percentage of CTAS 1 patients reached by paramedics within 8 minutes, per legislation.
	Dispatch centres measure percentage of CTAS 1 calls to be dispatched in 2 minutes, per legislation.	Each municipality determines its own response-time standard for CTAS 2 to CTAS 5 calls, and also sets a target for the percentage of calls that it aims to reach within this time standard, per legislation.

Figure 5: Percentage of Municipalities Responding to 90% of Code 4 Calls* within 15 Minutes, 2005–2012

Source of data: Ministry of Health and Long-Term Care



* Includes calls from MPDS dispatch centres, based on Ministry's determination of which MPDS calls are equivalent to DPCI II Code 4.

In our Annual Reports for 2000 and 2005, we recommended that the Ministry, together with municipalities, review the response-time requirement then in use for reasonableness and consistency. As well, in 2006, the Standing Committee on Public Accounts (PAC) recommended that the Ministry report to PAC on how it would update response-time targets.

Until January 2013, the legislated standards required land ambulance services to respond to 90% of emergency calls within the actual times it took to respond to 90% of Code 4 calls in 1996. The legislation was subsequently changed based on recommendations the Response Time Standard Working Group made in 2006.

Legislation that came into effect as of January 2013 requires each municipality to establish a target rate of compliance for the following response-time measures:

- *For all patients with sudden cardiac arrest*—how often any individual equipped with a defibrillator reaches the scene within six minutes of the ambulance service being notified by the dispatcher.
- *For all CTAS 1 patients (as determined by the paramedic when the ambulance reaches the patient)*—how often an ambulance reaches the scene within eight minutes of the ambulance service being notified by the dispatcher.
- *For patients at other CTAS levels (as determined by the paramedic when the ambulance reaches the patient)*—how often an ambulance reaches the patient, after being notified by the dispatcher, within a time established by the municipality. For these patients, the municipality sets both the response-time targets to be met and the target rate of compliance, which can reflect, among other things, differences in geographic distances and funding available to municipalities through taxes. As shown in Figure 6, this approach has resulted in a wide variety of response-time targets and target compliance rates for the same CTAS code: one municipality may aim to have an ambulance reach 60% of CTAS 2 patients within 10 minutes, whereas another might aim to reach 90% within 10 minutes.

Municipalities submit their chosen targets in their annual response-time performance plans to the Ministry, but may change the plans at any time by notifying the Ministry. The targets do not require Ministry approval, including those for CTAS 2 patients who require an emergency response. The Ministry allows municipalities to use their own definition of urban versus rural areas in their response-time performance plans. Although many Ontario municipalities include rural and urban areas, only three such municipalities have provided separate targeted compliance rates for these areas. Our review of the municipally established targeted compliance rates for cardiac arrest and CTAS 1 patients indicated that they varied significantly, as shown in Figure 7. The lower targets were generally set by municipalities in rural areas, due to the longer anticipated time to reach a patient.

As with dispatch, the determination of which calls are required to be responded to within the established time frames occurs when the paramedic reaches the patient, rather than at the time the ambulance service is notified.

Figure 6: Municipalities' Chosen Response-time Compliance Rate Targets for CTAS 2 to CTAS 5 Patients, 2013

Source of data: Ministry of Health and Long-Term Care

	Chosen Ambulance Response-time Target* (minutes)	# of Municipalities Choosing Targets in this Range	Chosen Compliance Rate (% of time chosen response-time target will be met)	
			Lowest	Highest
CTAS 2	8–15	43	50	90
	16–30	7	50	90
	>30	0	–	–
CTAS 3	8–15	41	50	90
	16–30	9	50	90
	>30	0	–	–
CTAS 4	8–15	20	50	90
	16–30	29	55	100
	>30	1	50	50
CTAS 5	8–15	18	50	95
	16–30	29	55	100
	>30	3	50	75

* Chart includes the urban response-time target for the three municipalities that set both urban and rural targets.

We noted that other jurisdictions measure ambulance response times based on urgency of the call at the time of dispatch, an approach that enables the ambulance's response to be adjusted based on the information available at that time. We could find no other jurisdictions that evaluate the timeliness of ambulance response based on the assessment made by the paramedics after reaching the patient. The Ministry has not evaluated the practical difficulties inherent in this retrospective approach. Subsequent to our fieldwork, the Ministry indicated that it has begun discussions with the municipalities on how best to track and report response times using the retrospective approach.

Differentiating Rural and Urban Response Times

Generally, rural areas will have longer ambulance response times than urban areas, because longer distances must typically be travelled to reach patients. We noted that in Nova Scotia, response times are measured using a nine-minute response-time standard for urban areas, a 15-minute standard for suburban areas and a 30-minute standard for rural areas.

The 2006 report from the Response Time Standard Working Group recommended three geographic levels for reporting response times: urban, rural/light suburban, and remote. In 2006, PAC also recommended that response times be similar for similar communities considering, for example, local factors such as urban population densities and road infrastructure. As well, both a 2010 Ministry-commissioned report and a 2011 report released by the Ontario Association of Paramedic Chiefs recommended that municipalities establish definitions for urban, rural, and remote service areas. However, as of May 2013, no such standardized definitions for measuring response times had been adopted by municipalities or the Ministry.

Transporting Patients to Specialized Care

Adopting Transportation Protocols

To obtain the best outcomes, patients with certain conditions, such as stroke and a certain type of

Figure 7: Targeted Response-time Compliance Rates by 50 Municipalities for Two Emergency Standards, 2013

Source of data: *Ambulance Act* and municipal response-time performance plans

	% of Time Standard Will be Met	
Standards	**Lowest Target Rate (%)**	**Highest Target Rate (%)**
Defibrillator arrives within 6 minutes of dispatch for patients in sudden cardiac arrest [1, 2]	15	75
Ambulance arrives within 8 minutes of dispatch for CTAS 1 patients, including sudden cardiac arrest patients [3]	9	85

1. The legislation specifies only the arrival of a first responder—not necessarily a land ambulance—with a defibrillator within six minutes. Therefore, some municipalities set two targets: one for the first responder and a second for the ambulance. For municipalities with two targets, the first-responder target is shown.
2. Data excludes four municipalities that had not set a target for a defibrillator arriving within six minutes.
3. Data excludes one municipality that had not set a target for arriving in eight minutes for CTAS 1 patients.

heart attack (referred to as STEMI, which stands for ST-segment elevation myocardial infarction—the technical term describing one type of heart attack resulting from a blocked artery, so called because of the way it looks on an electrocardiogram or ECG test), should be transported within specific time frames to specialized hospitals that have the necessary medical equipment and professionals trained to provide the required care. The same level of care is not readily available at other hospitals. Municipalities can choose whether or not to participate in a protocol to transport patients with these conditions to a specialized hospital, which may be within or outside their municipality. The Ontario Stroke Network indicated that all municipal ambulance service providers have adopted the Ministry's 2011 Ontario Acute Stroke Protocol, which includes instructions on transporting certain stroke patients to stroke centres. Although the Ministry receives some information on which municipalities have adopted a STEMI protocol, it does not assess why other municipalities choose not to adopt one.

For the municipalities that have adopted protocols, the Ministry does not assess whether patients are transported to specialized care centres when appropriate or within the recommended time frame for the patient's condition. The municipalities we visited indicated that they review this as part of their quality assurance reviews of paramedic performance. Furthermore, the Ministry's DPCI II dispatch system, used by most dispatch centres in Ontario, does not provide electronic prompts to ensure that such municipally adopted protocols are considered when appropriate, and therefore there is risk that dispatchers will not direct the ambulance to the appropriate hospital.

Transporting Patients to STEMI Centres

For STEMI, the recommended maximum time for transporting the person to a hospital is generally 60 minutes from when the ambulance reaches the patient, plus an additional 30 minutes after reaching the hospital for the patient to receive treatment. The Ministry indicated that the Branch's Medical Advisory Committee is working toward a standardized STEMI protocol. At the time of our audit, the Ministry had not confirmed an implementation date.

As part of their responsibility to assess the quality of care provided by ambulance services, base hospitals have performed some monitoring of compliance with specialized care protocols. For example, a base hospital in the Greater Toronto Area found that during one month in 2012, 53% of STEMI patients did not receive treatment within 90 minutes from when the ambulance reached the patient. However, there is no provincial policy to ensure consistent and appropriate paramedic STEMI care. A June 2013 Cardiac Care Network of Ontario report indicated that STEMI patients were often not being transported to appropriate specialized care centres, partly because of the lack of a provincial protocol. For example, three of the 35 ambulance services surveyed by the Cardiac Care Network indicated that not all of their ambulances had the appropriate ECG equipment, and two others said that none of their ambulances did. This ECG equipment is necessary for identifying STEMI patients; a timely ECG test also ensures timely treatment with better patient outcomes. Further, three ambulance services with appropriate ECG equipment indicated that none of their paramedics had been trained in how to interpret the ECG tests to identify STEMI patients. The Cardiac Care Network further noted that because of the lack of a co-ordinated system for identifying and treating STEMI patients, it could not estimate what proportion were reaching specialized care centres.

We noted that in Nova Scotia, paramedics are trained to administer drugs when treating STEMI patients who are too far from specialized care centres. This practice is not done in Ontario, although one base hospital told us that this practice would likely benefit patients in remote locations. No estimate has been made of the number of patients in Ontario who cannot reasonably be transported to a specialized care centre due to their remote location.

Public Reporting

In our *2005 Annual Report*, we recommended that the Ministry and municipalities "jointly establish pertinent performance measures such as response times and report publicly and regularly on these land ambulance service performance measures." The 2006 PAC report on land ambulance services also recommended that the Ministry report publicly on response times.

Before 2013, no response-time information was publicly reported by the Ministry, and only some municipalities publicly reported such information on their websites. Beginning in 2013, the Ministry posted on its website the response-time performance plans for each of the 22 dispatch centres and the 50 municipal land ambulance services.

Also, starting with the 2013 calendar year, municipalities are responsible for calculating and reporting to the Ministry their compliance with ambulance response-time standards using either information in the Ministry's dispatch system, information in their own electronic patient records, or a combination of both. The municipalities we spoke to indicated a number of concerns about using the Ministry's dispatch data, including the following:

- Although preliminary data is available after 48 hours, the Ministry takes about four months to finalize its data, making it difficult for municipalities to perform timely reviews of their ongoing performance.
- The Ministry does not have standardized reports to assist municipalities in determining their compliance with the new legislative standards.

The Ministry informed us that it would be developing standardized reports and expected to have them available for municipalities to use by fall 2013.

The Ministry plans to post, in spring 2014, the achieved 2013 response-time compliance rates as reported to it by the 22 dispatch centres and the 50 municipal land ambulance services. However, the Ministry has no plans to publicly report the percentage of calls dispatched as emergencies to which dispatch centres responded within two minutes. Although the Ministry has most of the data it needs to confirm the accuracy of municipally reported information, the Ministry indicated that it had no plans to do so because this is a municipal responsibility.

We also noted that the Ministry obtained data on each ambulance call received, each ambulance dispatched and each patient transported. At our request, the Ministry accumulated this data by year, as shown in Figure 1. However, the Ministry does not regularly review this fundamental data for trends, nor is the data publicly reported.

We further noted that other jurisdictions report publicly on ambulance performance, including response-time reporting by rural versus urban areas. As well, the United Kingdom's ambulance services publicly report on a range of performance measures, such as the percentage of patients transported to a stroke centre within an hour of a 999 call (similar to a 911 call in Ontario), and cardiac arrest patient survival rates from transport until discharge from hospital.

Evaluating the Offload Nurse Program

Ambulance response times can be delayed if ambulance crews are detained while offloading a patient at a hospital and are therefore not available to respond to another call. Upon reaching a hospital, the ambulance crew must update hospital staff on the patient's condition and wait for the patient to be triaged and admitted before departing for the next call. However, offload delays (which the Ministry generally defines as time spent at hospital exceeding 30 minutes) occur, especially in busy urban-area hospitals' emergency departments. By contrast, several other jurisdictions—including Nova Scotia, the United Kingdom and Western Australia—have target offload times of less than 30 minutes from the ambulance's arrival at the hospital until it is ready to leave.

The Ministry introduced the offload nurse program in 2008, initially as an interim initiative to reduce ambulance offload delays. Under this program, the Ministry provides funding for nurses to assist with offloading patients. Because the Ministry expects urgent (CTAS 1 and 2) patients to receive immediate care from hospitals, the offload nurses care for the less-urgent (CTAS 3 to CTAS 5) patients. Between the 2008/09 and 2012/13 fiscal years, ministry funding for the offload nurse program totalled $40 million.

Tracking and Monitoring Offload Times

Offload time for each patient is tracked from the time when the ambulance arrives at the hospital to when it is ready to depart, as reported by the paramedics to the dispatch centres. Municipalities report to the Ministry twice a year on the time within which 90% of patients are offloaded. According to this reported information, between the 2008/09 and 2011/12 fiscal years, the offload times for CTAS 3 to CTAS 5 patients actually *increased* at 20% of the hospitals participating in the program. At our request, the Ministry ran a report on the number of patients with offload times greater than 30 minutes during the 2012 calendar year. This report indicated that about 80% of the ambulances with urgent patients evaluated by paramedics as CTAS 1 waited over 30 minutes, as did about 75% of ambulances with CTAS 2 patients. Furthermore, at some hospitals, more than 90% of these urgent patients waited with paramedics for more than 30 minutes before being admitted to the emergency department.

Despite expressing concerns regarding ongoing delays at hospitals, all three municipalities we visited indicated that the offload nurse program had been helpful in reducing the time spent by ambulances at hospitals and that without the program, delays would be significantly longer and/or occur more frequently. However, as also noted in our 2010 audit of hospital emergency departments, the municipalities indicated that hiring offload nurses did not represent a full solution. One municipality thought that some offload funding would be better spent on improving the patient flow process, which they believe contributes to delays at hospitals. The Ministry had not evaluated the current program to determine whether there are more cost-effective ways to reduce offload delays.

Through the National Ambulatory Care Reporting System (NACRS), hospitals also report on ambulance patient offload times, using the time from when the ambulance arrives at the hospital (which the hospital estimates based on the time it initially registers or triages the patient, to determine his or her urgency) to the time the patient is accepted by the hospital. The Ministry has never compared the offload times reported by municipalities to the NACRS offload times. Our review of this data for one hospital indicated that the reported times varied significantly.

One dispatch centre had implemented software that allowed hospitals to electronically inform the centre when the ambulance patient was accepted. Ministry staff noted that even after a hospital accepts a patient, the ambulance may not be able to leave immediately—for example, due to the ambulance requiring cleaning or restocking. Having accurate information on when the hospital accepted the patient and comparing this information to when the ambulance actually left would enable municipalities and the Ministry to better monitor the extent to which delays occur because the hospital is unable to accept the patient or whether there are other reasons for an ambulance remaining at a hospital after the patient is accepted. No other dispatch centres had this software.

RECOMMENDATION 1

To better ensure that patients receive timely and high-quality ambulance services, the Ministry of Health and Long-Term Care should:

- establish consistent provincial dispatch centre targets for the percentage of calls to be responded to within the legislated response-time measures for patients experiencing sudden cardiac arrest and other patients whose conditions are assessed as fitting into the highest priority according to the Canadian Triage and Acuity Scale (CTAS)—that is, all CTAS 1 patients—and establish response-time targets and compliance targets for CTAS 2 (second-highest priority) calls, since such calls also involve time-sensitive emergencies;
- monitor ambulance response times for all calls dispatched as emergencies in addition to the legislated evaluation of response times based on the paramedics' determination of the patient's condition after reaching the scene;
- finalize a provincial protocol for ST-segment elevation myocardial infarction (STEMI) heart attacks—such as ensuring that all ambulances are equipped with the appropriate type of electrocardiogram (ECG) machines, that paramedics are appropriately trained to interpret the ECG test results, and that paramedics are directed to conduct such tests for all potential STEMI patients—and implement electronic prompts throughout the dispatch system for transporting these patients to specialized care centres; and
- consistently account for the time spent by an ambulance at a hospital until the patient is accepted, based on patient urgency and any additional time the ambulance spends at hospital until it is free to return to service.

To ensure that Ontarians have access to relevant information on the performance of dispatch centres and municipal land ambulance services, the Ministry, in conjunction with municipal land ambulance services and base hospitals, should:

- establish other key measures (including outcome measures) of land ambulance performance (for example, total ambulance response time from call receipt to arrival at the patient location, and the survival rates of patients with certain conditions such as stroke and cardiac arrest); and
- publicly report on these indicators and on response times for each municipality in a consistent and comparable format (for example, separately by urban and rural areas, as well as by patient urgency levels).

MINISTRY RESPONSE

The Ministry will review existing dispatch response targets in consultation with provincial dispatch centres and municipal land ambulance service providers to determine the extent to which these targets can be more consistent while also recognizing differences in local community demographics, geography and resources. As part of this review, the Ministry also plans to expand dispatch response-time measures to include calls determined to be CTAS 2.

The Ministry will monitor and report on response times dispatched as emergencies, in addition to the current legislated measurement of response times, to further enhance the monitoring and oversight of ambulance service delivery.

The Ministry will request its Medical Advisory Committee to consult with the Ontario Base Hospital Group, municipal land ambulance service providers, the Cardiac Care Network of Ontario, and dispatch centres to review and determine the most appropriate medical approach to ensure that effective, evidence-based emergency responses, including electronic prompts through dispatch centres, are provided for STEMI patients.

The Ministry will initiate a program evaluation of the Offload Nurse Program in the 2013/14 fiscal year to review program design, performance metrics, offload-time measurement definitions and funding methodology to ensure the program's alignment to broader emergency room strategies and initiatives. This review will be informed by a recent analysis of emergency room offload processes conducted by a municipality.

The Ministry will request that the Ontario Base Hospital Group, in consultation with municipal land ambulance service providers, develop evidenced-based medical key performance indicators for the provision of ambulance services. The Ministry will work with municipalities to publicly report on these performance indicators. This information will augment the existing public reporting of dispatch response-time plans that were posted on the Ministry's website in 2013 and the public reporting of response-time results planned for early 2014.

DISPATCH

Call takers at dispatch centres must quickly obtain critical patient details from callers in order to correctly prioritize requests for ambulances. Many municipalities, including those we visited, have said that in order to have the best chance of responding quickly to the most urgent calls, they need to control dispatch. However, the Ministry indicated that centralized dispatch ensures that the closest ambulance responds to a call and also helps contain costs. We noted that British Columbia has three dispatch centres and that Alberta plans to consolidate its 14 dispatch centres into three by the end of 2013. The Ministry has not assessed whether or not the current 22 dispatch centres are the optimal number for Ontario.

Twenty of Ontario's 22 dispatch centres use a computerized dispatch protocol to prioritize requests for ambulances. (The Ministry indicated that the other two dispatch centres, which are in remote areas, will implement computerized processes by fall 2013.)

As noted earlier, 20 of the dispatch centres use the Dispatch Priority Card Index (DPCI) II, which was developed by the Ministry with input from physicians. This protocol was implemented in 2009 to replace DPCI I, about which we identified concerns in our *2005 Annual Report*. As detailed earlier in Figure 3 column A, DPCI II has four priority codes: Code 4 (for the most urgent calls), Code 3 (for calls requiring a prompt response), Code 2 (for scheduled calls) and Code 1 (for deferrable calls). In 2012, the 20 dispatch centres using DPCI II ranked 93% of calls as either Code 4 or Code 3, with 3% ranked as Code 2 and 4% ranked as Code 1.

At Ontario's other two dispatch centres, the municipalities that run them use the Medical Priority Dispatch System (MPDS), an internationally used dispatch protocol. As detailed earlier in Figure 3 column B, MPDS ranks patients under one of five codes—in order from most to least urgent, Echo, Delta, Charlie, Bravo and Alpha—with the response for each code (for example, whether or not the ambulance is authorized to use lights and sirens) determined by the dispatch centre. In 2012, the two dispatch centres using MPDS ranked about 40% of their calls as Echo and Delta, with 17% ranked as Charlie, 26% as Bravo and 17% as Alpha.

Dispatch Priority and Responsibility

Because it is difficult to quickly and conclusively identify over the telephone all patients with urgent conditions, dispatch protocols are generally designed to over-prioritize calls—that is, they err on the side of treating the call as more rather than less urgent—when there is uncertainty about the urgency of the patient's condition. However, if a protocol over-prioritizes too many calls, the availability of ambulances to respond to truly urgent calls may be compromised.

The municipalities we visited confirmed that having to respond to numerous Code 4 calls at once can deplete their ambulance fleets, leaving few or no ambulances to respond to new calls. The Ministry does not routinely track such instances. In 2010, one municipality used data from its ambulance call reports (the medical records used by paramedics to document each call) and found more than 1,000 instances when all in-service ambulances were already being used to respond to calls. During 75% of these instances, responses to new requests for an ambulance had to be delayed.

Between 2006 and 2012, 67% of total calls were dispatched as Code 4 (the highest priority level). A Ministry-commissioned 2011 study stated that DPCI II was good at identifying the most urgent patients, but with high rates of over-prioritization. Based on study data, we noted that about two-thirds of the calls ranked by DPCI II as Code 4 were over-prioritized. Further, our analysis of 2012 patient CTAS data indicated that only 1% of patients assessed by paramedics at the scene were categorized as CTAS 1 and 24% were CTAS 2, for a combined total of 25%. The significant variance between the 67% of calls dispatched as Code 4 and the 25% of patients whose conditions were actually urgent enough to warrant an ambulance being dispatched as Code 4 indicates a high degree of over-prioritization. As a result, ambulances may not be available to respond to truly urgent calls.

In contrast, in 2012, the two municipalities that use MPDS ranked about 40% of total calls as Echo or Delta (that is, corresponding to a lights-and-sirens response); 2% to 3% of total calls were ranked as Echo.

In response to a 2006 request from PAC, the Ministry indicated that it would evaluate MPDS as part of a pilot project involving municipally run dispatch centres. The resulting 2010 report indicated, among other things, that fewer calls were dispatched as emergencies under MPDS than under DPCI II, which could lead to more efficient resource management for ambulance services.

Although the Ministry may ask the base-hospital group to review medical evidence to ensure that DPCI II reflects current best practices, no medical review, other than for stroke, has been conducted by the base-hospital group since 2009, when DPCI II was implemented. We noted, for example, that although MPDS (which is updated more frequently to reflect new medical studies on best practices in emergency medical services) includes pre-arrival instructions (provided by call takers to callers after an ambulance has been dispatched but before the ambulance arrives) to give aspirin to patients who are experiencing heart attack symptoms, DPCI II has not been updated to give such instructions.

Dispatch Ambulance Selection

Each municipality is responsible for creating an ambulance deployment plan. Among other things, these plans set out the location where ambulances wait for new calls, how many ambulances and non-ambulance emergency response vehicles (that is, vehicles generally staffed with one paramedic and equipped to treat but not transport patients) are available at any given time, and which calls can be deferred. As a result, the availability of ambulances for dispatch varies among municipalities.

Electronic systems assist dispatchers in selecting the most appropriate ambulance. For emergency calls—primarily Code 4 calls under DPCI II and Echo or Delta calls under MPDS—such systems identify the ambulance closest to the patient by considering available ambulances as well as those that were previously assigned to lower-priority calls. Dispatchers may also use their judgment to select which ambulance to send based on an electronic map that shows each ambulance's location within a geographic area. Our discussions with dispatch staff at a dispatch centre that handles a high volume of calls indicated that they often do not use the electronic system's recommendation—because, for example, it selects the ambulance that is the shortest distance away "as the crow flies," rather than the shortest distance based on available roads and speed limits. Further, electronic alternatives at the dispatch centre are too time-consuming to use. Staff also indicated that it is difficult for dispatchers in higher-volume dispatch centres to select the most appropriate vehicle using their judgment due to the multiple demands for ambulance services.

An ambulance may be asked to respond to a call outside its municipality—for example, if it is the closest ambulance to answer an emergency call or if it is returning home after transporting a patient to a hospital in another municipality. Due to the use of different dispatch systems, Toronto vehicles cannot be viewed on any DPCI II dispatch centre's electronic maps at the same time as other ambulances, nor can non-Toronto ambulances be viewed on Toronto's screens. Although DPCI II dispatch centres in areas surrounding Toronto have a separate screen that shows Toronto vehicles, dispatch centre staff indicated that this screen is rarely used given the time-sensitive nature of dispatching. Further, vehicles can be viewed by only one DPCI II dispatch centre at a time. Therefore, dispatch centres are generally not aware of the location of ambulances positioned outside their borders even though these may be closest to the patient.

We further noted that the two dispatch centres that use MPDS have resource allocation software that considers not only which ambulance is closest but also which one would be most appropriate to use in order to maintain emergency coverage across the entire geographic area involved. None of the other dispatch centres had such software, and therefore the dispatch centres may not always select the most appropriate ambulance to meet patients' needs.

Defibrillator Locations

For patients experiencing cardiac arrest, the timely use of an automated external defibrillator (AED) can significantly improve survival rates. Research indicates that delays of even a few minutes in starting defibrillation after cardiac arrest can result in poor patient outcomes, including death. Accordingly, for all patients with sudden cardiac arrest, the legislated response-time measure is how often any individual with an AED—whether that person is a paramedic, a police officer, a firefighter, or a bystander—is able to reach the patient within six minutes of when the ambulance service is notified.

Our *2005 Annual Report* recommended that the Ministry assess the costs and benefits of a fully co-ordinated emergency response system that includes the strategic placement of AEDs in public places. In June 2011, the then-premier announced the Ontario Defibrillator Access Initiative, which involves providing funding for the placement of AEDs in publicly accessible places such as sports and recreation facilities and schools, as well as creating an Ontario-wide AED registry.

The Ministry indicated that a web-based registry listing AEDs funded by the Ministry and by municipalities in public, other municipal, and First Nations locations is expected to be implemented in late 2013. Privately installed AEDs (such as those located in casinos or shopping centres) may also be included in this registry.

One municipality that tracks the locations of AEDs at municipal facilities as well as a few other public locations indicated that it has customized its MPDS dispatch system, so that dispatch staff can tell callers if a publicly accessible AED is nearby. However, although none of the other dispatch centres have similar information available, the Ministry indicated that dispatchers will ask callers if they are aware of a nearby AED. People calling these dispatch centres are expected to determine whether an AED is available, which may take additional time and therefore increase the risk to the patient. One municipality we visited indicated that it had asked the Ministry to incorporate AED locations in the dispatch protocol, but had been turned down.

We noted that the province of Manitoba implemented legislation in 2012 requiring AEDs to be installed in high-traffic public places such as gyms, arenas, community centres, golf courses, schools and airports by January 31, 2014. This law also requires AEDs to be registered so that 911 dispatchers can direct callers to locate them in situations involving cardiac arrest.

Dispatch Staffing

In our *2005 Annual Report*, we indicated that we would follow up on dispatch staff turnover rates at the time of our next audit.

At our request, during our current audit the Ministry conducted an analysis of dispatcher turnover rates for the 2012 calendar year. This analysis indicated that the turnover rate for both full-time and part-time staff had improved since the time of our last audit, with a significant improvement in the turnover rate for full-time staff.

However, we noted that many dispatch staff handled significantly more calls than the ministry target of 4,200 calls per year for a full-time dispatcher. According to the Ministry, handling significantly more calls than the target may result in delays or errors in call-taking and/or dispatching, both of which can negatively affect patients. (See also the "Ministry Oversight of Dispatch Staff" section later in this report.) Overall, 13% of staff handled more than 5,000 calls each in 2012, well in excess of the ministry target of 4,200.

RECOMMENDATION 2

To ensure the most efficient use of land ambulance services, the Ministry of Health and Long-Term Care should:

- assess the effectiveness of the two protocols used in Ontario to prioritize calls and dispatch ambulances, including comparing the dispatch priority determined by the protocols with the paramedics' evaluation upon reaching the patient, and adjusting the protocols where needed to reduce excessive over-prioritization of patients;
- consider updating software that assists dispatchers in choosing the best ambulance to dispatch so that it identifies both the ambulance with the shortest actual travel time and the most appropriate one in order to maintain emergency coverage across the entire geographic area involved, as two municipalities have already done; and
- work with dispatch centres to best match staffing with call volumes, with a view to reducing the number of staff handling significantly more calls than the Ministry's target, and thereby helping to reduce the potential for delays and errors.

To better enable patients experiencing cardiac arrest to receive treatment as soon as possible, the Ministry should incorporate information on the locations of publicly available automated external defibrillators (AEDs) into dispatch protocols.

MINISTRY RESPONSE

The Ministry has engaged a provincial base hospital to conduct a comprehensive review to assess the two medical dispatch protocols used in Ontario. This review includes a comparison of key elements of the two protocols, which are designed to be highly responsive and ensure that patients receive the most appropriate ambulance response. As part of the review, the Ministry will also consider the results of a 2011 evaluation report, conducted by a provincial base hospital, which indicated that enhanced prioritization is a necessary property of medical dispatch protocols.

The Ministry will consider updating its software to continue to improve the provincial ambulance dispatch system. In doing so, the Ministry will continue to consult with working groups to add enhanced functionalities to support dispatch decision-making that have been, and continue to be, implemented at Ministry early adoption sites. Information technology work currently under way includes enhancements to existing tools used by dispatchers to select the most appropriate ambulance and maintain emergency coverage. Successes from the initial implementations will inform decisions for appropriate province-wide distribution.

The Ministry is currently reviewing dispatch staffing levels and call volumes to determine optimal staffing levels at each of its dispatch centres to ensure effective service delivery.

The Ministry is currently developing a web-based AED registry that will list AEDs in public and other municipal and First Nations locations. AED locations will be provided to the Ministry on a voluntary basis by municipalities and First Nations, and published on the ministry website.

The Ministry will request that its Medical Advisory Committee review the medical efficacy of incorporating the location of AEDs from this registry into dispatch protocols. The Ministry will incorporate AED information into dispatch protocols if the Medical Advisory Committee supports this initiative.

ALTERNATIVES TO TRANSPORTING PATIENTS TO EMERGENCY ROOM

In Ontario, ambulances generally transport patients to hospital emergency rooms. In contrast, in the United Kingdom, alternatives to transporting patients by ambulance are used. In 2011, the United Kingdom's National Audit Office estimated a minimum savings of £100 million (about $150 million) annually resulting from various emergency room diversion strategies, such as providing telephone medical advice and providing treatment at the scene.

In Ontario, once an ambulance is dispatched, ministry policy—which was developed based on advice from its Medical Advisory Committee—generally requires ambulance paramedics to transport patients to a hospital, unless the patient signs a form indicating that he or she refused transport. Therefore, even if paramedics successfully treat a patient's condition at the scene, they still transport the patient. The Ministry indicated that this approach is taken because of concerns that paramedics may miss a potential risk to the patient.

Telephone Medical Advice

Telehealth Ontario is a 24-hour, seven-day-a-week Ministry-funded service that provides telephone medical advice. Telehealth's nurses assist callers in determining whether their medical condition can be treated at home, and if so, advise callers on self-treatment. For more serious conditions, callers are advised to see their family physician or go to the emergency department, as appropriate.

Only one of Ontario's 22 land ambulance dispatch centres uses a dispatch protocol that identifies patients who can be referred to Telehealth. This dispatch centre offers low-risk patients a choice between calling Telehealth and having an ambulance dispatched. When appropriate, it will also refer patients to other services such as the Ontario Poison Centre. This dispatch centre estimates that in a typical month, more than 200 calls (or about 1% of its call volume) are referred to Telehealth, and that an ambulance is subsequently dispatched for about 15% of these calls.

The Ministry has not assessed this dispatch centre's policy of referring low-risk patients to Telehealth or other programs such as the Ontario Poison

Centre. Such an analysis could include determining whether or not patient outcomes indicate that the practice is safe, and whether it could be appropriate for broader use across Ontario. The Ministry informed us that it does not currently support ambulance diversion strategies such as referring low-risk callers to Telehealth due to concerns that dispatchers may identify patients as low risk when they are actually higher risk. We noted that the United Kingdom publicly reports on referrals to medical telephone advice. For example, in January 2013, 12 ambulance services reported data indicating that 6% of callers received telephone advice; in 87% of these instances, the issue was fully resolved by phone.

Treating Patients at the Scene: Paramedic Care

Paramedics in some jurisdictions can treat certain types of patients at the scene, resulting in the patient not requiring ambulance transport. For example, in Nova Scotia and Alberta, paramedics treat diabetic patients who are experiencing hypoglycemia (low blood sugar) and provide them with instructions on caring for themselves, instead of transporting them to hospital. Further, in Calgary, Alberta, policies on treating patients at the scene resulted in fewer patients being transported to hospital in 2012. In the United Kingdom, 12 ambulance services reported data indicating that in January 2013 about 30% of patients were treated by paramedics at the scene. They further reported that only 6% of these patients subsequently requested an ambulance in the next 24 hours. These and other jurisdictions have established medical policies on when and how patients are to be treated at the scene to assist paramedics in providing patient treatment in accordance with best practices.

Notwithstanding the ministry policy generally requiring ambulances to transport a patient, we noted that in 2012, over 25% (or about 350,000) of ambulances dispatched did not transport a patient. The Ministry has not assessed the underlying reasons for not transporting patients—to determine, for example, how many of these situations arose due to patient refusals, calls cancelled before arrival of an ambulance, or paramedics having successfully treated patients at the scene. Although base hospitals review a sample of calls where no patient is transported to ensure that appropriate patient care was provided, they do not identify the number of patients who were successfully treated by paramedics at the scene.

Treating Patients at the Scene: Emergency Response Vehicles

A non-ambulance emergency response vehicle (ERV) cannot transport patients, but is staffed with a paramedic who can provide treatment at the scene. We noted that other jurisdictions, such as Australia and the United Kingdom, use these vehicles to treat patients at the scene. One municipality we visited had expressed interest in doing this for patients when medically appropriate.

In Ontario, ERVs are generally dispatched only in conjunction with an ambulance, because all patients are expected to be transported. The Ministry indicated that the ERV enables patients to be assessed and treated earlier, while waiting for an ambulance. The Ministry also indicated that it is up to each municipality to decide whether or not to use ERVs.

Although the Ministry funds about half the cost of ERVs, it has not evaluated the extent of their use or their cost-effectiveness. At our request, the Ministry produced a report on municipalities' use of these vehicles. This report indicated that ERVs were dispatched for only 10% of calls in 2012, despite making up 26% of the municipal land ambulance services' total combined fleet. By contrast, this type of vehicle represents only 18% of the fleet in New South Wales, Australia, where patients can be treated on the scene and avoid transport. We further noted that some Ontario ambulance services used their ERVs infrequently to respond to calls. For example, although ERVs constituted about 37% of the total active fleet in one municipality, it responded to about 1% of calls with these vehicles.

Furthermore, although municipalities' ambulance deployment plans indicated that many of the ERVs were staffed with advanced-care paramedics, some were staffed with ambulance service chiefs or assistant chiefs, whose primary duties do not include responding to calls. At the three municipalities we visited, various vehicles were used as ERVs, including SUVs and pickup trucks. The cost of these vehicles, fully equipped (including about $30,000 for a defibrillator), ranged from $53,000 to $117,000. The municipalities we visited indicated that their ERVs were often used for administrative purposes, including supervision, training and real-time quality assurance. As well, the vehicles are fully equipped so that they can respond to a patient call if needed. We noted that in other provinces that more regularly treat patients at the scene, less than 5% of their ambulance fleets consist of ERVs.

RECOMMENDATION 3

To ensure that patients receive necessary care that meets their needs and that patients are not unnecessarily transported to an emergency department, the Ministry of Health and Long-Term Care should consider introducing emergency room diversion policies, similar to those used in other jurisdictions, that meet patients' care needs by, for example, providing referrals to Telehealth for telephone medical advice, and treating at the scene.

The Ministry, in conjunction with the municipal land ambulance services, should also evaluate the cost-effectiveness of non-ambulance emergency response vehicles, including how many are needed and how best to use them to meet patient needs. The evaluation should include a study of practices in other jurisdictions with better utilization.

MINISTRY RESPONSE

The Ministry will request that the Ontario Base Hospital Group, in consultation with municipal land ambulance service providers, determine the most effective emergency room diversion strategies for Ontario to ensure that patients get the care they need at the right time and in the right place.

In partnership with municipal land ambulance service providers, who are responsible for determining the appropriate composition of their ambulance fleets, the Ministry will conduct an evaluation of the use of emergency response vehicles to identify best practices for their utilization.

QUALITY ASSURANCE

In order to ensure consistent quality in ambulance services, ongoing processes are needed to identify and resolve issues, particularly those that may negatively affect patients. To be most effective, such processes should follow the continuum of care from the time the call is received until the patient is released from the hospital. Various methods are used to gain assurance regarding the quality of these services, as shown in Figure 8.

Every three years, the Ministry conducts service reviews of dispatch centre, land ambulance, and base-hospital services. Such reviews aim primarily to assess whether legislative requirements are met and ministry policies are followed—including, for example, compliance with the Ministry's patient-care standards. Since our last audit, the Ministry has improved the timeliness of the follow-up on these reviews, and most have concluded after one visit that the service is complying with required standards.

Although the Ministry has improved its service review, inspection and complaint processes since the time of our 2005 audit, we noted further suggestions to enhance these processes and shared them with the Ministry.

Because service reviews occur only every three years and complaint investigations occur only if a complaint is received, ambulance services require other ongoing quality assurance processes to

Figure 8: Selected Quality Assurance Processes and Who Conducts Them

Source of data: Ministry of Health and Long-Term Care

	Responsible Entity		
	Ministry	**Municipalities**	**Base Hospitals**
Quality Assurance on Dispatch Centres	• Conducts quarterly reviews of call taking and ambulance dispatching in accordance with the Ministry's standardized process. • Conducts service reviews[1] every three years to ensure compliance with legislation and ministry policies. • Conducts random inspections[2] of limited scope that generally look at security of call records maintained and cleanliness of the dispatch centre. • Conducts investigations of dispatch-related complaints.	• No role with respect to dispatch centres' quality assurance.	• No role with respect to dispatch centres' quality assurance.
Quality Assurance on Ambulance Service	• Conducts service reviews[1] every three years to ensure compliance with legislation and ministry policies, and certifies those passing to provide services in Ontario. *(Results provided to ambulance services.)* • Conducts random inspections[2] of limited scope that generally look at equipment stock levels, ambulance/ambulance station cleanliness, and maintenance of vehicles. *(Results provided to ambulance services.)* • Conducts investigations of ambulance service-related complaints. *(Results provided to ambulance services.)*	• Conduct processes determined by each municipality to ensure paramedics comply with the Ministry's *Basic Life Support Patient Care Standards*.	• Conduct processes determined by each base hospital to ensure that paramedics comply with the Ministry's *Advanced Life Support Patient Care Standards. (Results provided to Ministry.)* • May conduct patient outcome reviews (at base hospital discretion).
Quality Assurance on Base Hospitals	• Conducts service reviews[1] every three years to ensure compliance with legislation and ministry policies. *(Results provided to base hospitals.)*	• No role with respect to base hospital quality assurance.	• No role with respect to base hospital quality assurance.

1. Service reviews are conducted by a Ministry-led team and take several days.
2. Inspections are conducted by one person and take a couple of hours.

promptly identify and resolve service problems, particularly those that may affect the quality of care given to patients. Ministry inspections are sometimes performed more frequently, but their scope is limited.

Monitoring Patient Outcomes

The quality of ambulance services, including response times and paramedic care provided, can have a significant effect on the prognosis of certain transported patients. However, the Ministry generally does not obtain information on patient outcomes, either overall or by ambulance service. The Ontario Municipal Benchmarking Initiative (OMBI) collects data from participating municipalities on a number of service areas. Among other topics, the OMBI collects data on the survival rate of cardiac arrest patients during ambulance trips to hospital. The 2011 results—the most recent available at the time of our audit—indicate significant variations among the 11 reporting municipalities, with survival rates for such patients ranging between 11% and 32%. No explanation was provided for the variance.

Municipalities indicated that they have had access to only certain patient-care information from dispatch centres, and this information cannot readily be compared to that maintained by the municipality. For example, municipalities indicated that they cannot obtain electronic information from dispatch centres on every patient over a given period of time who had no vital signs at the scene—information that would allow the municipalities to perform quality assurance reviews to ensure that appropriate patient care was provided. They also indicated that they cannot assess whether patients survive beyond the ambulance trip—for example, to the point of hospital discharge. All three municipalities we visited indicated that such information could help their land ambulance services identify ways to improve ambulance services. However, the Ministry indicated that municipalities should be able to access this information both from dispatch centres and from hospitals and was not sure why they had been unable to do so. We noted that ambulance services in the United Kingdom measure how many cardiac arrest patients transported by ambulance survive until discharge from hospital.

Base hospitals have access to the patient records maintained by each ambulance service on every person transported. The Ministry gives base hospitals discretion on whether or not to review patient outcomes. We noted that reviews of patient outcomes are rare, in part because base hospitals are, under the *Personal Health Information Protection Act, 2004*, generally unable to access patient information maintained by hospitals in their region regarding patients transported. As well, the Ministry has no province-wide data by patient condition (for example, number of stroke patients transported).

Ministry Oversight of Dispatch Staff

At the time of 2005 audit, the Ministry told us that it was piloting a standardized quality assurance process for dispatch centres. This process was implemented in 2006 at the 20 centres that use the DPCI II dispatch protocol and was subsequently revised in 2012. We noted the following regarding the revised quality assurance process:

- A specially trained quality programs officer is to conduct quarterly reviews of 48 call-taking and 48 dispatching activities (a total of 96 calls), giving each a numeric score, and to forward summary information and details specifying areas where dispatch staff performed poorly to the Ministry's senior management.
- Dispatch supervisors are to conduct quarterly live (real-time) reviews of three call-taking and three dispatching activities for each dispatch staff person, with a smaller number of peer reviews to be conducted by dispatch supervisors on the performance of other dispatch supervisors at the same dispatch centre. Although the Ministry obtains the number of live and peer reviews conducted, ministry management who oversee the dispatch centre do not get the results of these reviews unless a specific dispatcher has recurring problems. Therefore, the Ministry cannot identify any systemic issues from these reviews. Quality programs officers are not required to ensure that these reviews are done.

Implementing this quality assurance process is a positive step in the Ministry's management of dispatch centres. Our review of the results for two recent quarters indicated that dispatch staff complied with policies over 90% of the time for most requirements. However, in the most recent of these quarters, dispatch centre staff were only about 60% compliant in documenting both the reason for any deviations from the recommended priority code and the reason for not providing any recommended pre-arrival instructions to callers. (For example, for patients experiencing cardiac arrest, DPCI II requires dispatchers to suggest that callers perform CPR—cardiopulmonary resuscitation—and then instruct callers on how to perform it.) We also noted that the Ministry's analyses of dispatching performance did not include certain systemic issues that would highlight the need for additional training, such as insufficient medical knowledge and/or understanding of the dispatch protocol, or insufficient computer skills to effectively use the dispatch tool. Subsequent to our fieldwork, the Ministry indicated that it had not analyzed systemic issues because this process has been in place for just 17 months.

We noted that about half of the dispatch centres employed an independent quality programs officer to conduct these reviews, whereas the other centres used other staff. For example, two dispatch centres that did not have a quality programs officer told us that their call reviews were done by a training officer and an operations manager, respectively, both of whom share some responsibility for the performance of dispatch staff and therefore may not be objective.

When dispatch centres conduct live reviews, the staff being reviewed are generally given advance notice. In our view, live reviews conducted without advance notice would be more likely to reflect the staff person's typical performance.

In addition, we found that two of the six dispatch centres we reviewed were not providing timely feedback to staff on their performance. One of these dispatch centres had not completed any individual dispatch staff audits during half of the six months we reviewed. At the other, in most cases there was no evidence that feedback on areas requiring improvement was provided after the reviews.

Municipal Oversight of Paramedics' Performance

Most ambulance patients require paramedics to perform only basic life support procedures, such as those needed when assessing and managing chest pain, hip fractures, labour and childbirth, and allergic reactions. The Ministry's *Basic Life Support Patient Care Standards* document explains when and how to perform these procedures.

Municipal land ambulance service providers are responsible for monitoring paramedics' compliance with the Ministry's basic life support standards. (As discussed in the next section, base hospitals monitor the quality of more advanced life support procedures performed by paramedics.) It is up to each municipal service provider to determine the type and frequency of monitoring. All three ambulance service providers we visited indicated that they randomly selected ambulance call reports for review. The frequency of such reviews varied among the three service providers: one reviewed about 15 (of about 120) ambulance call reports a day, another reviewed slightly more than that for its urban areas and all of its rural calls, and the third performed reviews of selected call reports for each paramedic only once a year for the purposes of annual performance reviews. None of the service providers performed issue-specific reviews—for example, to review all childbirth-related calls in a six-month period.

Senior management, such as deputy chiefs, performed the reviews at two of the three service providers we visited, whereas superintendents generally performed the reviews at the third. However, one service provider indicated that it sometimes asked its base hospital to provide feedback on whether its paramedics were following basic life support standards. Two base hospitals we contacted indicated that, when requested, they reviewed paramedics' compliance with basic life support standards for some land ambulance service providers; two base hospitals also noted that, in their view, such municipal providers do not have the expertise to provide proper medical oversight. One indicated that base hospitals should review paramedics' treatment of higher-risk conditions, such as childbirth and fractures.

The Ministry has not asked municipal land ambulance services to report to the Ministry on the results of their basic life support reviews. The Ministry indicated that it reviews a sample of ambulance call reports to test the municipalities' quality assurance process. However, the results of this review were not documented. As a result, the Ministry is not aware of whether a sufficient number of reviews are being conducted or whether there are systemic issues that should be addressed province-wide.

Base-hospital Oversight of Paramedics' Performance

The Ministry has agreements with the seven base hospitals—consolidated from 21 in 2009 in response to recommendations in our *2005 Annual Report*—to, among other things, monitor the appropriateness and quality of the patient care that paramedics provide. Each base hospital is assigned a different region of the province.

Most land ambulance paramedics in Ontario are either primary-care paramedics (PCPs) or advanced-care paramedics (ACPs). These practitioner levels reflect which medical procedures each is able to perform according to legislation and ministry policy. More specifically, PCPs can, for example, check patients' airways and breathing, administer certain medications such as aspirin, and use an external defibrillator on a patient. ACPs can perform the same medical procedures as PCPs, but can also perform others, such as intubating patients (inserting a breathing tube) and treating seizures. Municipalities are responsible for deciding how many PCPs and ACPs to hire. We noted that in nine municipalities, more than 30% of paramedics were ACPs, whereas in 35, less than 10% were ACPs. Overall, about 20% of Ontario's approximately 7,000 paramedics are ACPs.

Monitoring Paramedic Provision of Advanced Life Support Procedures

The Ministry does not track how often ambulance calls require advanced life support procedures (any of which can be performed by ACPs, but only a few of which—such as administering glucose—can be routinely performed by PCPs) or how often an ACP is needed. One base hospital indicated that about 85% of its ambulance call reports (the medical record used by paramedics to document each call) described only basic life support acts. Our review of data from an ambulance service provider from another region of Ontario indicated that 70% of its calls required just basic life support and that as few as 2% of all ambulance call reports noted the performance of any procedure that required an ACP.

Research indicates that advanced life support procedures—and in particular those specified by law as generally performable only by ACPs (such as inserting a breathing tube)—are typically more risky for patients than basic life support procedures. It is therefore all the more important for ACPs to maintain their abilities through practice. However, with so few opportunities to perform advanced life support procedures, ambulance services run the risk of their ACPs' proficiency diminishing. This is especially the case in municipalities with a high proportion of ACPs. Two of the base hospitals we talked to indicated that they were concerned about ACPs' proficiency dropping due to lack of practice and an insufficient amount of ongoing training.

Transferring Patient Information to Hospitals

Once a patient arrives at the hospital, paramedics need to ensure that information about the patient's condition and the care provided so far is communicated as efficiently and accurately as possible. However, almost none of the ambulance services are able to electronically download their ambulance call reports to the admitting hospital. Instead, after orally reporting the relevant information to hospital staff, ambulance crews either provide a paper call report before leaving for the next call or send in the call report within the next day or two. Staff from three busy emergency departments across Ontario told us they were generally satisfied with the patient information paramedics provided to them orally. But they also confirmed that receiving a copy of the call report a day or two later is not useful for making time-sensitive patient treatment decisions.

One particular type of information that is key to providing appropriate patient care, but that may not always be passed on to hospital staff, is the results of any paramedic-performed electrocardiogram (ECG) test. A three-month study conducted by one base hospital in 2011 found that in 13% of cases where a paramedic had done an

ECG test that showed heart rhythm abnormalities, a later ECG test performed at the hospital did not. In two-thirds of these cases, the paramedic-performed ECG test indicated that the patient may have had a heart attack. The Emergency Health Services Branch's Medical Advisory Committee has expressed concerns about such information not being provided to hospitals, and emergency department staff we spoke with indicated that they would have no way of knowing if this information was not provided to them.

At the time of our audit, the Medical Advisory Committee was evaluating whether to recommend that paramedics be required to submit an ambulance call report to the hospital before leaving, but no solution had been proposed for ensuring that paramedics provide all available test results to hospital staff.

Because base hospitals do not have the resources to periodically accompany paramedics in order to assess the care they provide first-hand, most of the patient-care reviews conducted by base hospitals focus on ambulance call reports. The agreements with the Ministry require base-hospital staff to review the reports only from those calls in which a paramedic performs an advanced life support procedure, such as using an external defibrillator or intravenously administering specific drugs. Our review of 2011/12 information from three base hospitals showed that paramedics in those regions complied with standards over 90% of the time when performing advanced life support procedures.

In 2006, the Ministry provided municipalities with a list of items that must be included in electronic ambulance call reports (called e-PCRs). Even though by the time of our audit, most municipalities had transitioned to e-PCRs—about 15% of municipalities, including Peel Region, continue to use paper call reports—the Ministry did not centrally co-ordinate the acquisition of these patient-care technologies, with the result that many different brands of software are now used even within a single base-hospital region. Therefore, when base hospitals download the data, it is in different formats, which limits their ability to analyze it on an overall basis (for example, for all patients with a certain condition). As well, base hospitals had to manually enter the paper-based information. At the time of our audit, base hospitals were planning to contract for a common database to house data from ambulance call reports for all base hospitals.

RECOMMENDATION 4

To promote better-quality land ambulance dispatch services and patient care by paramedics, the Ministry—working in conjunction with municipalities where applicable—should:

- require independent unannounced reviews of calls received by dispatch centres to ensure that they are being appropriately handled by all dispatch staff, including timely feedback to staff to prevent recurring problems, and obtain summary information on these reviews in order to identify any systemic issues;
- consider establishing guidelines on the desired proportion of advanced-care paramedics (ACPs) and ensure that ACPs receive sufficient ongoing experience to retain their proficiency;
- ask base hospitals to periodically review paramedics' basic life support skills, since these skills are used on every ambulance call;
- ensure that paramedics provide patient information documents (including all available test results) to emergency departments in time for the information to be useful for making patient-care decisions; and
- ensure that processes are in place to enable municipal land ambulance services to readily access dispatch information required for patient-care trend analyses and to periodically analyze hospital outcomes for ambulance patients.

MINISTRY RESPONSE

The Ministry will review this recommendation as part of the continuous improvement of the current Quality Assurance Program for ambulance dispatch to ensure that dispatch staff are provided with timely feedback and that corrective action is taken to address individual and systemic issues. The Quality Assurance Program is now providing comprehensive monitoring, evaluation and reporting of dispatcher performance and compliance with ministry policies, practices, standards and procedures to accurately assess dispatching and deployment decisions on the individual, dispatch centre, and system levels.

Municipal governments are responsible for making decisions on the composition of their paramedic workforces, based on the needs identified by each municipality and the resources available in each municipality. The Ministry will direct provincial base hospitals, in consultation with municipal land ambulance service providers, to review the existing paramedic education and training programs to ensure that all paramedics receive appropriate training and ongoing experience to maintain and improve their proficiency.

The Ministry will request that the Ontario Base Hospital Group and municipal land ambulance service providers evaluate practices currently used to review paramedics' basic life support skills.

The Ministry has initiated discussions with its Medical Advisory Committee and the Ontario Association of Paramedic Chiefs to review existing patient documentation standards and develop recommendations that will ensure the timely provision of patient information documents to emergency departments.

The Ministry will work with municipal land ambulance service providers and the Ontario Base Hospital Group to standardize information-sharing protocols in order to ensure the timely and appropriate exchange of patient information to further improve patient outcomes.

MINISTRY FUNDING TO MUNICIPALITIES

The *Ambulance Act* states that municipalities are responsible for funding land ambulance services and gives the Ministry discretion on whether or not to fund municipalities for these services. At the time of our 2005 audit, the Ministry generally funded 50% of Ministry-defined eligible costs, which resulted in the Ministry funding less than 40% of the land ambulance costs incurred by some municipalities. However, in general, municipalities that spent more received more ministry funding, regardless of the number of calls for ambulances received, the service levels provided, the population size served, or the geographical area covered. At that time, the Ministry informed us that varying ambulance services levels were expected because of the varying resources of municipalities (due to, for example, differences in municipal tax bases). As a result, we recommended that the Ministry develop a process to better achieve the existence throughout Ontario of a balanced land ambulance system. Further, the PAC recommended in 2006 that the Ministry re-examine its funding model, including incentives and disincentives aimed at promoting efficiencies in the use of the health-care system's resources, specifically related to land ambulance services.

Between 2005 and 2009, the Ministry adjusted its funding formula three times. Although some municipalities received larger increases than others, these revisions, along with increases to compensate for inflation, resulted in the combined funding to municipalities (including funding for the offload nurse program that ranged from $4 million in 2008/09 to $12 million in 2011/12) almost doubling between the 2004/05 and 2011/12 fiscal years, as shown in Figure 9. The number of patients transported increased by 18% over the same period.

By 2009, the Ministry was funding 50% of all salary increases (previously, only a maximum percentage increase was funded) and 50% of all municipal overhead costs allocated to land ambulance services (previously, only a maximum overhead allocation was funded). Since 2009, ministry funding to municipalities has increased about 6% per year. However, at the time of our current audit, municipalities that spent more still received higher ministry funding, regardless of service levels and other factors. In this regard, the Ministry had not analyzed—for example, through a review of municipalities' ambulance deployment plans—whether similar ambulance coverage is provided for similar population sizes or similar geographic areas. The Ontario Municipal Benchmarking Initiative reported that in 2012, the total cost per hour of land ambulance services for the 13 reporting municipalities ranged from a low of $156 to a high of $247, and averaged $189. The cost varied significantly even among urban municipalities.

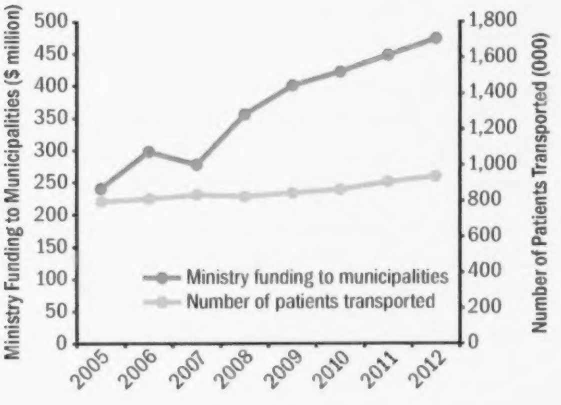
By 2012, the Ministry was funding approximately 50% of each municipality's estimated prior-year expenditures plus a Ministry-established percentage increase for inflation. (For example, funding for 2012 was based on each municipality's 2011 revised and approved budgets, plus 1.5%.) Because the funding is based on prior-year expenditures, the Ministry does not fund the first year of municipal service enhancements, such as additional paramedics or a new ambulance base: funding begins only the year after a municipality has introduced these services. Therefore, less-affluent municipalities may delay introducing such enhancements.

The Ministry does not review whether the costs to provide certain service levels are comparable among similar municipalities with similar targeted service levels. Further, neither the Ministry nor the municipalities know whether the additional ministry funding has resulted in better value for money in terms of service levels and patient outcomes.

Municipalities we visited indicated that the Ministry's funding rules lead to uncertainty about how much funding will be received each year. This situation hinders municipal planning for ambulance services, especially when the Ministry's funding notification is often not received by municipalities until partway through the funding year. For example, the Ministry notified municipalities in June 2012, or halfway through the year, what their funding would be for 2012. Further, municipalities do not always know which costs the Ministry will fund. For example, municipalities did not know until August 2012 whether the Ministry would pay for any costs associated with the offload nurse program during the 2012/13 fiscal year.

Figure 9: Ministry Funding to Municipal Land Ambulance Services and Patients Transported, 2005–2012

Source of data: Ministry of Health and Long-Term Care



RECOMMENDATION 5

To ensure a balanced land ambulance system throughout Ontario, the Ministry should:

- determine—for example, through a review of municipalities' ambulance deployment plans and service costs—why there are differences in ambulance service levels and costs for similar populations and geographic areas; and
- develop processes, such as incentives, to promote efficient ambulance service delivery—including minimum service levels or benchmarks—especially where differences exist.

The Ministry should also clearly communicate planned funding levels to municipalities in time to support municipal planning processes.

MINISTRY RESPONSE

The Ministry will consult with municipal land ambulance service providers to identify potential areas to review, such as differences in ambulance service levels and costs for similar populations and geographic areas, to determine best practices in ambulance service delivery. The Ministry will provide the results of this consultation to municipalities to assist them in planning and delivering municipal land ambulance services in accordance with legislated responsibilities under the *Ambulance Act*.

The Ministry will ensure that funding rules are communicated clearly and on a timely basis to municipalities. Ministry funding is based on a municipality's Council-approved revised budget from the previous year, with an incremental adjustment to account for increased costs. The Ministry's Land Ambulance Services Grant reflects municipally budgeted expenditures, and the Ministry remains committed to the 50/50 cost-sharing framework, which provides municipalities with the necessary assurances for system and budget planning.

Glossary

advanced care paramedic (ACP)—A paramedic who is trained and certified to perform advanced life support procedures as well as basic life support procedures.

advanced life support procedures—More complex medical procedures, all of which can be performed by advanced care paramedics and some of which can be performed by primary care paramedics.

ambulance call report—A report, in either paper or electronic (called an e-PCR) form, that must be completed for all patients seen by ambulance paramedics. It is required to include, among other things, the patient's name and condition, as well as details of the care provided by the paramedics.

ambulance response time—The time from when the dispatcher notifies the ambulance crew until the time the ambulance arrives at the scene.

Association of Municipalities of Ontario (AMO)—An organization that represents and provides support for its over 400 municipal members in Ontario.

automated external defibrillator (AED)—A portable electronic device that can analyze a patient's heart rhythm and deliver an electric shock to a patient with life-threatening irregular heartbeat in order to re-establish a normal rhythm.

base hospitals—Seven hospitals in the province with agreements with the Ministry of Health and Long-Term Care to, among other things, monitor the appropriateness and quality of the advanced life support procedures that land ambulance paramedics perform. Each base hospital is assigned a different region of the province.

basic life support procedures—Less complex medical procedures performed by all paramedics, such as assessing and managing chest pain and allergic reactions.

call takers—The staff at the dispatch centre who obtain information from each caller about the patient and determine the call's priority.

Canadian Triage and Acuity Scale (CTAS)—The method used by triage nurses in hospital emergency rooms, and by paramedics on arrival at the patient's location and when departing the scene with the patient, to assess how urgently a patient requires care. See Figure 3 for descriptions of the various levels.

cardiac arrest—The sudden cessation of a person's heartbeat.

Cardiac Care Network of Ontario—A non-profit organization funded by the Ministry of Health and Long-Term Care that helps co-ordinate and evaluate cardiovascular care in Ontario.

cardiopulmonary resuscitation (CPR)—A series of life-saving procedures that improve the chance of survival for people who experience cardiac arrest. CPR includes chest compressions to assist with blood circulation to the heart and brain and may also involve checking to ensure that the person's airways are open and administering breaths to improve oxygen flow.

deployment plan—A plan developed by each municipality that is used by dispatch centres to assign ambulances and non-ambulance emergency response vehicles to calls, as well as to reposition them (for example, to be close to the next anticipated call).

designated delivery agents—District Social Services Administration Boards, created by the province, in northern districts to deliver community services, including land ambulance services.

dispatch centres—Call centres that receive requests for ambulances, primarily from 911 call centres or hospitals. Dispatch centres are responsible for prioritizing calls and notifying land ambulance crews to go to the patient.

Dispatch Priority Card Index (DPCI) II—The dispatch system, developed by the Ministry of Health and Long-Term Care with input from physicians, used by 20 of Ontario's 22 dispatch centres to prioritize patients. See Figure 3 for descriptions of the various priority codes.

dispatch response time—The time from call receipt until a dispatcher advises an ambulance crew to go to the patient location.

dispatchers—Staff at a dispatch centre who assign calls to ambulance crews and direct the movement of ambulances to respond to new calls.

ECG (electrocardiogram)—A diagnostic test that checks the functioning of a patient's heart by measuring and recording its electrical activity.

emergencies—911 calls prioritized by DPCI II as Code 4, and by MPDS as Codes Echo and Delta. Ambulances are generally sent to these calls with lights and sirens. Refer to Figure 3 for a description of the various priority codes.

Emergency Health Services Branch—The branch within the Ministry of Health and Long-Term Care that oversees the land ambulance program, including dispatch operations. It sets patient-care and ambulance equipment standards, monitors and ensures compliance with those standards, and, through service reviews, certifies ambulance service providers to operate in Ontario.

Emergency Response Vehicles (ERVs)—Vehicles, such as SUVs and pickup trucks, generally staffed with one paramedic and equipped to treat but not transport patients. ERVs can also be used for administrative purposes, such as supervision and training.

e-PCR—See **ambulance call report**.

heart attack—A condition in which a person's heart continues to beat but blood flow is blocked.

intravenous—A drug or other liquid solution injected into a patient's vein.

intravenous glucose—A sugar liquid solution that is injected directly into a patient's vein, often used to restore blood sugar levels in patients.

Land Ambulance Committee—A committee co-chaired by the Ministry of Health and Long-Term Care (Ministry) and the Association of Municipalities of Ontario that includes representatives from various municipal ambulance services. It considers municipal concerns related to the delivery of land ambulance services in Ontario and provides advice on these issues to the Ministry.

Medical Advisory Committee—A group consisting primarily of senior staff from base hospitals that advises the Ministry of Health and Long-Term Care on medical issues related to the delivery of emergency medical services and pre-hospital care.

Medical Priority Dispatch System (MPDS)—The dispatch system used by two of Ontario's 22 dispatch centres to prioritize patient conditions when a call is received. See Figure 3 for a description of the various priority codes.

offload—The process of transferring a patient from the ambulance to the hospital.

offload nurse—A nurse hired by a hospital exclusively for receiving lower-risk patients who arrive by ambulance.

Offload Nurse Program—A program introduced by the Ministry of Health and Long-Term Care in 2008 to reduce ambulance offload delays by providing funding for offload nurses.

Ontario Association of Paramedic Chiefs—A not-for-profit organization, consisting of senior management from municipal land ambulance services and nine contracted ambulance service providers, that provides advice to the Ministry of Health and Long-Term Care regarding emergency medical services in Ontario.

Ontario Hospital Association (OHA)—An organization that advocates on behalf of its members, which comprise about 150 hospitals. Among other things, it strives to deliver high-quality products and services; to advance and influence health system policy in Ontario; and to promote innovation and performance improvement in hospitals.

Ontario Municipal Benchmarking Initiative (OMBI)—A partnership of about 15 Ontario municipalities that collect data on more than 850 measures across 37 municipal service areas, including land ambulance services, to allow comparison of performance between municipalities.

over-prioritizing—Prioritizing a call at a more urgent priority when there is uncertainty about a patient's condition.

primary care paramedic (PCP)—A paramedic who is trained to perform basic life support procedures, as well as some advanced life support procedures.

respiratory arrest—Cessation of breathing due to the failure of the lungs to function properly.

Response Time Standard Working Group—A subgroup of the Land Ambulance Committee tasked with reviewing the 1996 response-time standards and providing advice on a replacement standard.

Standing Committee on Public Accounts—An all-party committee empowered to review and report to the Legislative Assembly on its observations, opinions and recommendations on the Report of the Auditor General and the Public Accounts.

STEMI (ST-segment elevation myocardial infarction)—A specific type of heart attack resulting from a blocked artery, so called because of the way it looks on an electrocardiogram (ECG) test.

Chapter 3

Ontario Power Generation

Section 3.05

Ontario Power Generation Human Resources

Background

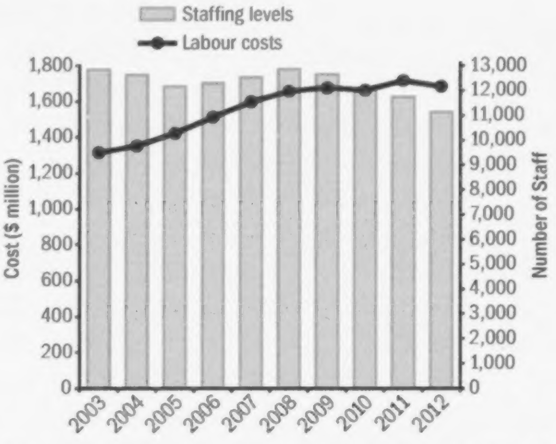
Ontario Power Generation (OPG), a corporation wholly owned by the province of Ontario, was established in April 1999 as one of the five successor companies to Ontario Hydro. Most of OPG's revenue is regulated by the Ontario Energy Board, which regulates Ontario's natural gas and electricity sectors in the public interest. To the extent that OPG's revenues exceed its expenses, any excess, if sufficient, goes toward paying down the stranded debt that remained when Ontario Hydro was split up.

OPG has a generating capacity of more than 19,000 megawatts, making it one of the largest power generators in North America. It produces about 60% of the province's power at its three nuclear stations, five thermal stations, and 65 hydroelectric stations. However, the amount of power that OPG produces has decreased by 23% over the last decade (from 109 terawatt hours in 2003 to 84 terawatt hours in 2012), with the reduction in demand for electricity, closure of coal plants and more private-sector involvement in new power generation.

OPG has been facing considerable challenges in recent years in trying to improve its operational efficiency and reduce its operating costs, especially labour costs. As Figure 1 shows, OPG's labour costs in 2012 were about $1.7 billion, which accounted for about 64% of its total operations, maintenance and administration (OM&A) costs. About 90% of OPG's employees are represented by two unions: the Power Workers' Union (PWU) and the Society of Energy Professionals (Society). As Figure 1 also shows, staffing levels at OPG have dropped by 13% over the past 10 years (from about 12,800 employees in 2003 to about 11,100 in 2012). This came mainly from a reduction in non-regular (temporary and contract) staff; regular staffing levels have remained relatively stable at around 11,000.

Figure 1: Staffing Levels* and Labour Costs at OPG, 2003–2012

Source of data: Ontario Power Generation



* These numbers represent year-end staffing levels. They include regular staff and non-regular (temporary and contract) staff but exclude nuclear security staff for reasons of confidentiality.

Audit Objective and Scope

The objective of our audit was to assess whether Ontario Power Generation (OPG) has adequate procedures and systems to:

- ensure that its human resources are acquired and managed with due regard for economy and efficiency, and in accordance with applicable policies, legislative requirements, contractual agreements and sound business practices; and
- measure and report on its results in this regard.

This objective along with our audit criteria were agreed to by senior management at OPG. In conducting our audit, we reviewed applicable policies, files and studies; analyzed data; and interviewed appropriate staff at OPG, the Ministry of Energy and the Ontario Energy Board. OPG had not conducted an employee engagement survey since 2009, so we conducted an anonymous survey of more than 800 non-unionized staff with a response rate of more than 80%. The objective of the survey was to identify common employee concerns about OPG's human resources practices. We did not survey unionized staff as OPG was in collective bargaining with one of the unions at the time of our audit work.

Most of our audit work took place at OPG's corporate office in Toronto, but we also visited power stations and regional offices at Pickering, Darlington, Kipling, Niagara Falls, Whitby and Ajax. As part of our cross-jurisdictional study of government-owned utility organizations in North America, we visited the Tennessee Valley Authority (TVA), whose organizational structure and operations are similar to those of OPG.

We reviewed the work of internal audit in the Ministry of Energy and OPG in planning our audit. We also engaged an independent consultant with expertise in human resources in the energy sector.

Summary

Over the last decade, the amount of electricity OPG generates has been declining, mainly because of reduced demand, coal plant closures and more private-sector involvement in new power generation. Despite the declining demand, electricity prices have been rising in Ontario. Given that OPG still generates about 60% of Ontario's electricity, its operating costs have a significant impact on the cost of electricity, as well as on OPG's profitability, which in turn affects how quickly the legacy debt of the former Ontario Hydro can be paid off.

About two-thirds of OPG's operating costs are human resources-related. It is therefore critical that OPG's human resources expenditures be effectively managed. OPG's operational efficiency has been the subject of many internal and external reviews and studies. Most of these reviews have identified concerns over high staffing and compensation levels.

Recognizing these concerns, OPG initiated a Business Transformation project in 2010. Its target is to reduce staffing levels by 2,000 employees through attrition by 2015. Between January 2011 and the end of our audit fieldwork in April 2013, OPG had reduced its staff by about 1,200 employees. Although OPG projects that it will meet its target by the end of 2015, with the number of staff it needs to operate expected to drop by almost 50% by 2025, we believe it will continue to face significant challenges in making necessary adjustments.

OPG has started to make some progress in reducing its overall staffing levels and labour costs. However, we found several areas where its human resource management practices need further improvement if it is to achieve its Business Transformation objectives. In addition to high staffing and compensation levels, the areas that particularly concerned us were recruitment practices, performance management, succession planning, outsourcing arrangements, overtime usage, absenteeism and staff training. The respondents to our anonymous survey of over 800 OPG staff echoed many of our concerns. Some of our key audit findings were as follows:

- OPG's overall staffing levels have gone down by 8.5% (from about 12,100 in 2005 to 11,100 in 2012), but the size of its executive and senior management group (directors, vice presidents and above) has increased by 58% (from 152 in 2005 to 238 in 2012). Many respondents to our survey questioned the rationale of reducing overall staffing levels while creating a "top-heavy" organization.
- OPG rehired some of its former employees, mainly for the purpose of identifying, grooming and training successors. Almost all were rehired shortly after leaving OPG. Some continued to receive significant amounts in allowances and Annual Incentive Plan (AIP) awards, and some had already drawn their pensions in single lump-sum payments upon leaving. Many respondents to our survey felt that this was an indication of knowledge transfer and succession planning at OPG not keeping pace with attrition and retirement.
- OPG has reduced staffing levels at its nuclear facilities since 2011. Even after cuts, one of the most overstaffed areas in 2013—facility maintenance, janitorial and custodial services—was still 170% (or 187 staff) above the industry benchmark based on data from other nuclear operators in North America. Some operational functions continue to be understaffed while their associated support functions continue to be significantly overstaffed. For example, in 2013 the staffing level for nuclear plant operations was 8% (or 51 staff) below the benchmark, while support staff for this area was 82% (or 143 staff) above the benchmark.
- Although OPG has adequate policies and procedures in place to govern its recruitment and security clearance processes, we identified areas of non-compliance:
  - About 700 pairs or groups of OPG employees reside at the same address and are likely related. In some cases, OPG had no documentation to show whether family members of existing staff had been hired through the normal recruitment process. In other cases, family members were given jobs although they had not appeared on any interview shortlists following the pre-screening processes.
  - All OPG employees are required to obtain a security clearance and renew it every five years. However, more than 50% of the OPG staff in our sample, including senior staff with access to confidential nuclear information, either had never obtained security clearances or were working with expired clearances.
- We found a number of cases between 2005 and 2012 where the annual base salaries of non-unionized staff exceeded the maximum set out in the base salary schedule by more than $100,000, and in one case in 2005 and 2006 by more than $200,000. OPG told us that before 2010 it had treated the maximum as a guideline rather than a limit, and had approved and implemented salary increases before the 2010 pay freeze legislation.
- OPG gives Annual Incentive Plan (AIP) awards to all non-unionized employees. The awards can range from $1,600 to about $1.3 million, depending on the employee's job band, base salary level and the score achieved on a scale of "0" (lowest, with no award) through "4" (highest). Therefore, a senior executive in job band A, B or C, for example, would receive an award of 45% to 100% of his or her base salary for a score of "2," and 55% to 150% for a score of "3" or "4." On average, we found that from 2010 to 2012, 67% of executive and senior management staff received high scores ("3" or "4") while only 24% of staff in lower job bands achieved them. Many respondents to our survey felt that there was a lack of transparency in

scoring and that it has been in favour of staff in senior positions. We also found in our review a number of cases with limited documentation to support the score achieved.

- OPG engaged a consultant to conduct a compensation benchmarking study in 2012, which found that base salary, cash compensation and pension benefits for a significant proportion of staff were excessive compared to market data. Our analysis showed that total earnings were significantly higher at OPG than total earnings for comparable positions in the Ontario Public Service (OPS), and many of OPG's senior executives earn more than most deputy ministers.
- OPG has contributed disproportionately more to its pension plan than its employees have. Since 2005, the employer–employee contribution ratio at OPG has been around 4:1 to 5:1, significantly higher than the 1:1 ratio at OPS. OPG is also solely responsible for financing its pension deficit, which was about $555 million in its latest actuarial valuation.
- OPG provides numerous employee benefits, such as relocation benefits and meal and travel allowances, some of which we found questionable. For example, an employee who transferred to another office received over $392,000 in housing and moving allowances and related reimbursements from OPG, on top of the proceeds of $354,000 from the sale of his old residence. Another employee who moved further away from his new work location received over $80,000 in 2011 and 2012.
- OPG incurred losses on 95 of the 98 purchase guarantees it offered to employees whose properties had not sold within a 90-day listing period, resulting in a total loss of about $2 million between January 2006 and April 2013.
- OPG has been outsourcing its IT services to the same private-sector vendor since 2001, when it conducted a competitive process and signed a 10-year, $1-billion contract with the vendor. Under this contract, OPG transferred about 700 IT staff to the vendor. In 2009, OPG decided to end the contract early and renew it with the same vendor without competition for a term of six years and four months at $635 million. In awarding a contract of this size on a single-source basis, OPG has not taken advantage of the benefits of open competition, which can help demonstrate fairness and accountability, ensure value for money, eliminate the risks associated with over-reliance on a single supplier, and minimize the perception of conflict of interest.
- OPG's total overtime costs were about $148 million in 2012. Although they have declined somewhat in recent years, the number of OPG employees earning more than $50,000 in overtime pay has doubled since 2003, from about 260 to 520 in 2012. Planned outages have resulted in high overtime pay, especially for inspection and maintenance (I&M) technicians. During outages, I&M technicians who are regular day-workers are placed on different schedules and their normal base hours are shown as unpaid leaves while the hours they work are considered overtime and paid at a rate of 1.5 or 2 times their base pay. In 2012, the average overtime pay earned by OPG's 180 I&M technicians was more than $66,000 each. The perception of many respondents to our survey was that poor planning and scheduling led to unnecessary overtime.
- OPG monitors its nuclear training on a regular basis, but it needs to act on previously identified ways to improve the quality of its training programs, and review the nature and timing of its mandatory training for staff in its hydro/thermal unit.

OVERALL ONTARIO POWER GENERATION RESPONSE

Ontario Power Generation (OPG) is committed to continuous improvement. We regularly benchmark against the performance of our peers and invite scrutiny to help us further improve. OPG welcomes the Auditor General's audit as an opportunity to strengthen our policies and implement recommended improvements.

To enable OPG to continue to be the lowest-cost generator of electricity for Ontarians, a multi-year Business Transformation initiative was launched in 2010, with the specific objectives of reducing labour costs and creating a sustainable cost structure by implementing over 120 key improvement initiatives. OPG continues to moderate consumer electricity prices, as it currently produces 60% of Ontario's electricity at an average price that is 45% below the average price received by all other electricity generators in Ontario.

Our Business Transformation successes to date include:

- headcount reductions of 1,350 from January 2011 to August 2013 (a further reduction of 150 since April 2013), with a target of 2,000 over the 2011–15 period;
- a forecast productivity (production/headcount) improvement of 11% over 2011–15; and
- a significant decrease in the overall management compensation, and employee business travel and expenses, since 2008.

A review of OPG's cost-saving opportunities conducted by a consulting firm concluded that "OPG has employed a systematic and structured approach to developing a company-wide transformation plan."

The Auditor General conducted an employee survey and noted that the majority of the responses were favourable with some exceptions, recognizing that the survey was conducted during a period of significant reorganization when employees were experiencing uncertainty and stress.

We acknowledge that the findings of the Auditor General demonstrate a need to improve diligence and further tighten controls in some areas of our company and our culture. OPG is committed to taking actions that will strengthen and further ensure that its human resources practices are managed with due regard for economy and efficiency, and in accordance with applicable legal requirements. OPG has a Code of Business Conduct policy and will follow up on any exceptions identified in the report. OPG will report to the Office of the Auditor General the actions taken to address the report's recommendations, as we did with respect to the Auditor General's 2006 audit of OPG's Acquisition of Goods and Services.

OPG will continue to pursue its Business Transformation initiatives to deliver value to its shareholder and Ontario ratepayers.

Detailed Audit Findings

STAFFING LEVELS AND RECRUITMENT

The Ontario Energy Board (OEB), which regulates the power produced by OPG's nuclear and major hydro stations, raised concerns about overstaffing at OPG in its March 2011 decision on OPG's rate application, stating that "although collective agreements may make it difficult to eliminate positions quickly, it is not reasonable to ratepayers to bear these additional costs in face of strong evidence that the positions are in excess of reasonable requirements." While OPG has started to reduce its staffing levels, given its projected decreases in the amount of energy it will produce, it will face significant challenges in further reducing its staffing levels in the coming years. We also found several areas for improvement in OPG's recruitment practices.

Business Transformation

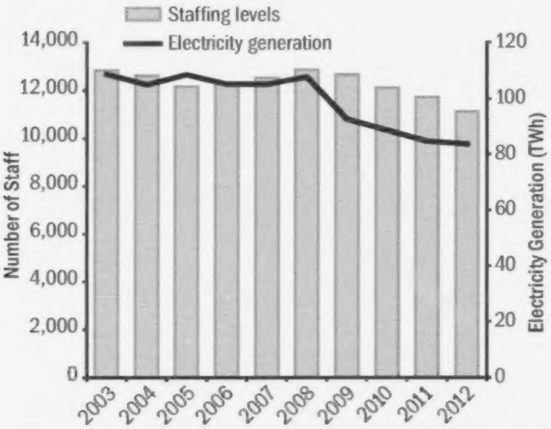
With the reduction of electricity demand, closure of coal plants and more private-sector involvement in new power generation, the amount of electricity generated by OPG has been decreasing steadily. The decline has been sharpest over the past four years, dropping 22%, or from 108 terawatt hours in 2008 to 84 terawatt hours in 2012. Over the same period of time, the number of staff at OPG has decreased by 13%, from about 12,800 employees in 2008 to about 11,100 in 2012 (see Figure 2).

OPG's projections show that the amount of electricity it needs to produce will continue to decrease (see Figure 3). Therefore, the number of staff needed to operate, maintain and support its business activities is expected to drop significantly from 2013 to 2025—by close to 50%. As a result, OPG will need only about 5,400–7,000 staff by 2025. In response to these projections, OPG has initiated a Business Transformation project that is expected to reduce its staffing levels through organizational restructuring over a five-year period (2011–15) and save about $700 million. OPG's target is to reduce the number of its staff by 2,000, going from 11,640 in January 2011 to 9,640 by December 2015.

At the end of our audit fieldwork in April 2013, OPG had about 10,400 staff—a reduction of about 1,200 since January 2011. OPG projected that at its current rate of reducing staff it would meet its staff reduction target by the end of 2015. Beyond 2015, OPG plans to make further organizational changes and assess whether it needs to reduce staffing levels by a further 500 employees as part of its 2016 business planning.

Figure 2: Electricity Generation and Staffing Levels* at OPG, 2003–2012

Source of data: Ontario Power Generation



* These numbers represent year-end staffing levels. They include regular staff and non-regular (temporary and contract) staff but exclude nuclear security staff for reasons of confidentiality.

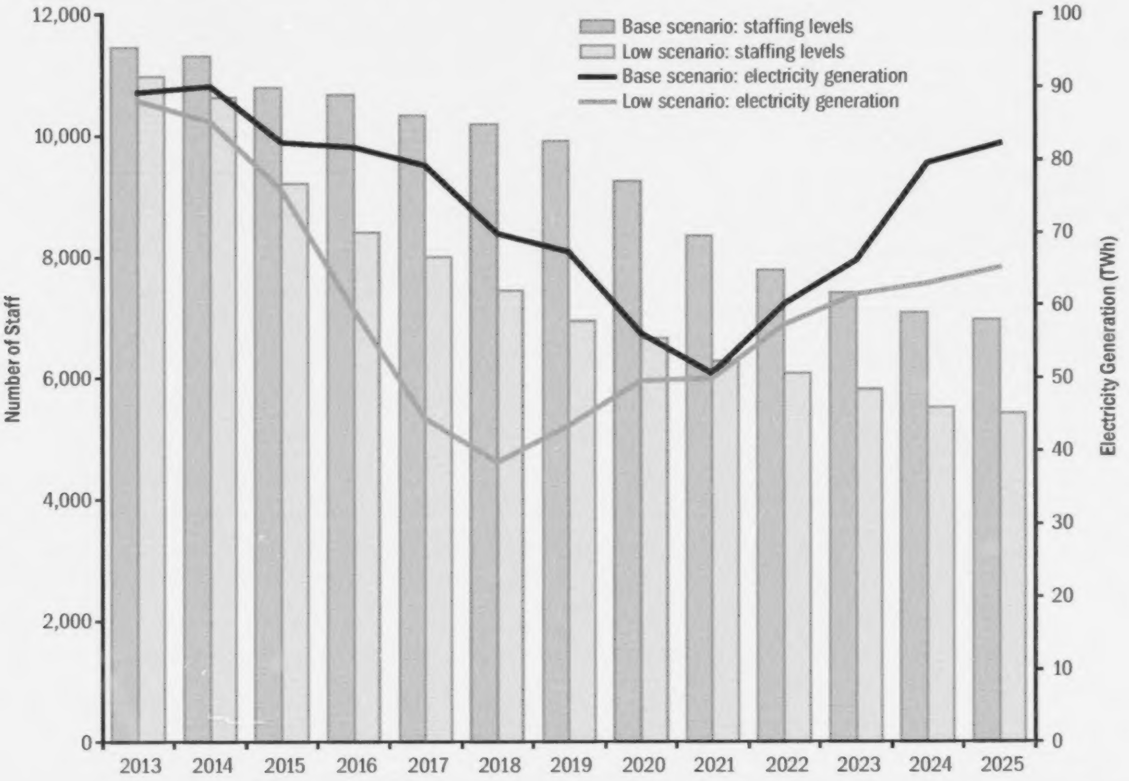
To avoid having to offer staff costly severance packages, the reductions are to take place through attrition (gradually reducing staff through retirement or resignation) and redeployment (relocating staff to areas where they are required) rather than layoffs. OPG informed us that it decided not to lay off staff en masse because a large number of staff are eligible to retire between 2011 and 2015 and because layoffs would pose difficulties in a unionized environment. For example, the collective agreements in place not only give first refusal for voluntary job termination by seniority, they also provide a displacement right that allows a senior staff member to take over the job of a junior staff member instead of being laid off. If unionized staff exercised those rights, OPG would bear severance costs for junior staff as well as relocation and retraining costs for senior staff. In addition, with many people eligible to retire, staff might stay to take advantage of severance packages equivalent to a maximum of 24 months' salary in the event of a layoff announcement. This would curtail the rate of staff leaving through attrition.

OPG told us that to achieve its staff reduction target and sustain its operations with fewer staff, it has introduced 120 initiatives to improve efficiency and eliminate unnecessary work. OPG also informed us that there is no direct correlation between specific initiatives and attrition—the positions vacated will not match up exactly to the areas in which work has been eliminated.

Although OPG informed us that staff who leave through attrition do not receive packages, we noted that its staff reduction in recent years has still cost a significant amount. There has been a fourfold increase in total severance and termination costs (from about $4 million in 2009 to about $17 million in 2012). The two key components of these costs are retirement bonuses (equivalent to one month

Figure 3: Projected Electricity Generation* and OPG Staffing Levels, 2013–2025

Source of data: Ontario Power Generation



* Projections were prepared by OPG at the end of 2010. Both scenarios assume that all coal production will cease by 2014, that the Darlington refurbishment will begin in 2016 and that hydroelectric projects will proceed as planned. Variations between the scenarios relate to the timing of the nuclear new build, the length of time the Pickering nuclear facility will remain in operation, and the number of thermal units being converted to biomass or gas.

of base pay for unionized staff and three months of base pay for non-unionized staff) and severance pay, which employees negotiate with management along with input from the legal department. In addition, under the *Pension Benefits Act*, employees can choose to receive their pensions in one lump sum as long as they are eligible for early retirement or they resign before age 55. Our review noted that some employees who received lump-sum payouts were rehired by OPG shortly after they retired or resigned (see the section on Rehiring Former Employees as Temporary or Contract Staff).

Respondents to our employee engagement survey generally felt the intention of Business Transformation was valid but raised some concerns about its execution, for example:

- Business Transformation came too late—it should have started much sooner for the financial health of OPG.
- It has been under way for two years but limited practical changes have been made.
- It has put too much focus on staff reduction and not paid enough attention to developing a succession plan, deploying the right people to the right places and reducing workloads.
- The collective agreements and the "culture of entitlement" among staff have restricted OPG from making many changes through Business Transformation.
- There was no consultation to obtain input from all staff before Business Transformation was rolled out, and there has been a lack of

meaningful, informative and effective communication to employees about Business Transformation since rollout.

- "Working in silos" has led to a lack of engagement, commitment and buy-in from OPG employees in response to Business Transformation.

Staffing Levels for Executives and Senior Management

In the rate application it submitted to the OEB in 2007, OPG indicated that it had made changes since 2004 "to signal a return to a more public-sector employment situation." One of these changes was reducing the number of executives at OPG. However, we noted that this has not been the case in recent years.

Despite the overall reduction OPG has recently made to its staffing levels, the size of its executive and senior management group (directors, vice presidents and above) has moved in the opposite direction. Figure 4 shows the overall number of staff has decreased from about 12,800 in 2003 to 12,100 in 2005 and 11,100 in 2012, a reduction of 8.5% since 2005. However, the number of executives and members of senior management dropped initially from 173 in 2003 to 152 in 2005 but went up again to 238 by 2012, an increase of 58% since 2005. Specifically:

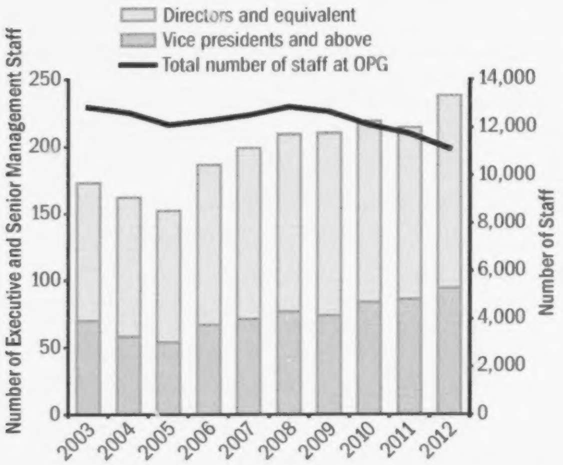
- The number of executives (vice presidents and above) dropped from 70 in 2003 to 54 in 2005 but increased to 94 by 2012—an increase of 74% since 2005.
- The number of senior management staff (directors and equivalent) decreased from 103 in 2003 to 98 in 2005 but increased to 144 by 2012—an increase of 47% since 2005.
- The most obvious jump occurred in 2012, during Business Transformation. Nine vice presidents and 21 directors left OPG that year, but 17 employees were promoted to VPs and 50 to directors, indicating that many of the promotions were for newly created positions rather than to fill vacant positions. OPG informed us that the new positions were part of Business Transformation and for nuclear refurbishment.

We also found that the number of vice presidents and directors with no specific titles or job descriptions has increased considerably, from 12 in 2005 to 40 in 2012. OPG explained that some employees were not assigned specific titles or portfolios because they were working on special projects without job descriptions, or their job descriptions were still being written.

Many of the respondents to our survey questioned the rationality of reducing overall staffing levels while creating a "top-heavy" organization. They felt that the only visible change brought about by Business Transformation was numerous promotions to expand the size of the executive and senior management group. They also felt that promotions had been made hastily with no transparent selection process and had been communicated poorly, creating ill feeling and mistrust among employees.

Figure 4: Number of Staff* vs. Number of Executives and Senior Management Staff at OPG, 2003–2012

Source of data: Ontario Power Generation



* These numbers represent year-end staffing levels. They include regular and non-regular (temporary and contract) staff but exclude nuclear security staff for reasons of confidentiality.

Benchmarking of Staffing Levels at Nuclear Facilities

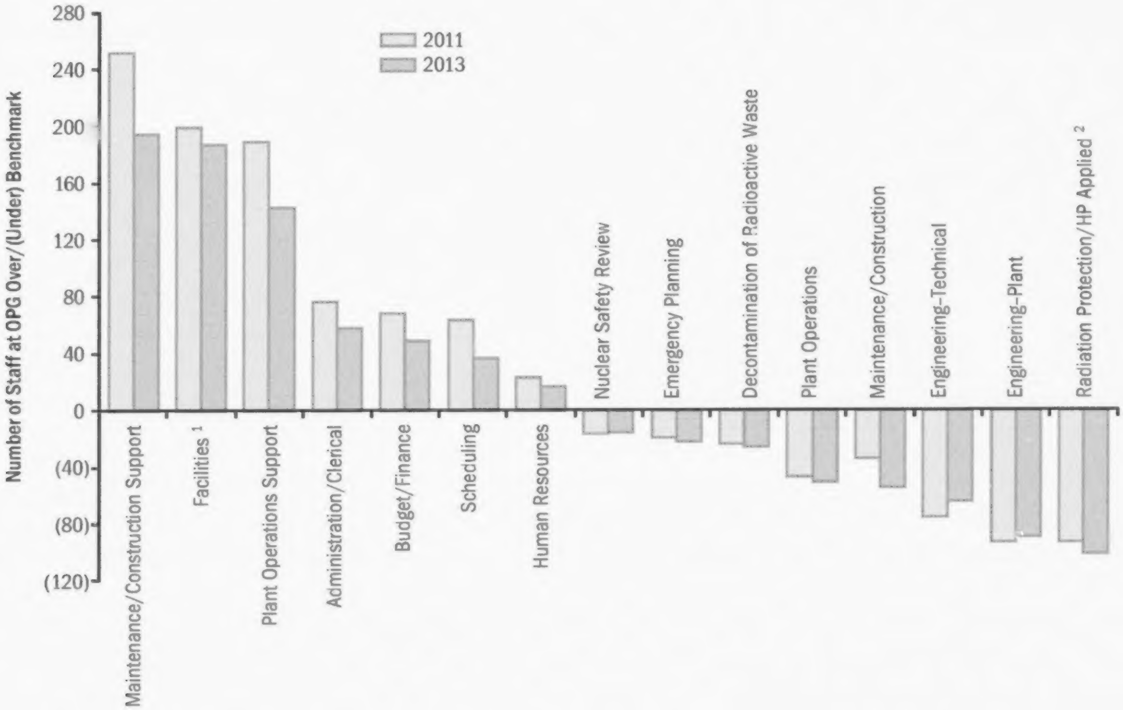
OPG has been under increasing scrutiny from the OEB to demonstrate that its operations are in line with those of other nuclear stations across Canada and in the United States. In its March 2011 decision, the OEB directed OPG to submit in its next rate application a study comparing staffing levels at its nuclear facilities with industry benchmark data from other nuclear operators in North America.

OPG engaged a consultant who produced two reports for OPG's management to measure and report on whether OPG's nuclear staffing level was in line with comparable organizations. The first, issued in February 2012, noted that OPG's nuclear staffing level was 17% (or 866 employees) higher than the benchmark in 2011, with 23 overstaffed areas and 14 understaffed areas. OPG informed us that it has since adjusted its staff reduction target to address the imbalances. In the second report, issued on the last day of our audit fieldwork in April 2013, the consultant found that OPG's nuclear staffing level was 8% (or 430 employees) above the benchmark, with 23 overstaffed areas and 16 understaffed areas.

Figure 5 shows selected functional areas identified as over- or understaffed in the two studies. Both benchmarking studies found that the overstaffed areas related mainly to support functions (for example, general maintenance, administrative support and human resources) while the understaffed areas related mainly to operational functions (for example, maintenance/construction, plant operations, engineering, emergency planning and safety). We noted that several operational functions were understaffed while their

Figure 5: Selected Areas Identified as Overstaffed/Understaffed at OPG by Nuclear Benchmarking Studies

Source of data: Ontario Power Generation



1. "Facilities" refers to general maintenance and custodial services, such as cleaning and changing light bulbs.

2. "HP" is an acronym for health physics, the physics of radiation protection.

associated support functions were overstaffed. For example, in 2013, Maintenance/Construction was 6% (or 55 staff) under the benchmark, but Maintenance/Construction Support was 78% (or 194 staff) above it. Similarly, Plant Operations was 8% (or 51 staff) below the benchmark while Plant Operations Support was 82% (or 143 staff) over the benchmark in 2013. A similar pattern was shown in 2011.

One of the most overstaffed areas, Facilities (general maintenance, janitorial and custodial services), has improved only slightly. It went from being 173% (or 199 staff) above the benchmark in 2011 to 170% (or 187 staff) above it in 2013. Other key understaffed areas have shown limited or no improvement. For example, staffing levels in the Engineering–Technical and Engineering–Plant areas remained almost unchanged in 2013, still about 30% below the benchmark.

Recruitment Practices and Requirements

Although we found that OPG had adequate policies and procedures in place to govern its recruitment practices, it did not always follow them. We found non-compliance in several areas.

Hiring Process

We identified about 700 pairs or groups of OPG employees (about 1,400 staff, or more than 10% of OPG employees) who resided at the same address, indicating that they were most likely family members. OPG has no policy prohibiting the hiring of family members so long as proper recruitment practices are followed: family members of the prospective employee cannot be involved in the hiring decision and family members should not be in reporting relationships with one another. We reviewed the personnel files for a sample of 20 pairs or groups and found that it was not evident whether proper recruitment processes had been followed for half the employees in the sample. Specifically:

- Four of the employees were offered jobs although their names had never appeared on interview shortlists following the pre-screening process.
- Another four employees had no documents in their files to show whether they had been hired under the normal recruitment process.
- Two other employees had been hired as temporary staff based on referrals without going through the normal recruitment process and were later offered permanent jobs on the basis of their temporary work experience.

Security Clearance Requirement

All employees are required to obtain security clearances before commencing work with OPG and must renew them every five years. There are three types of security clearance:

1. **Standard**: A Criminal Record Name Check (CRNC) must be completed for staff from hydro/thermal and corporate support units, as well as contractors working in nuclear units for a specific timeframe but with no access to protected areas or nuclear information.
2. **Site Access**: In addition to a CRNC, a Canadian Security Intelligence Service check and verification of employment and education must be completed for staff from nuclear units as well as for some other employees with access to nuclear information.
3. **Level II (Secret)**: All the checks in a site access clearance plus a financial credit check must be completed for staff with access to information classified as "secret" by the federal government.

We reviewed security clearances initiated by OPG during a five-year period, from January 2008 to December 2012, and noted the following:

- Aside from the Chair and the CEO, none of the members of OPG's Board of Directors had obtained security clearances even though they had access to confidential information. OPG indicated that it was in the process of obtaining security clearances for them.

- There were numerous examples of employees who had started working at OPG before their security clearances were issued.
- In a sample of 50 employees who were on OPG's payroll but not on its security clearance record, 13 had never obtained security clearances. OPG informed us that this was because hydro/thermal and corporate support staff hired before May 2003 were exempt from security clearance. One of these employees had held various senior positions in nuclear finance, nuclear reporting and nuclear waste management, and had access to sensitive information. The remaining 37 employees in our sample had joined OPG after May 2003, but more than half of them had never obtained security clearances or were working with expired clearances.

RECOMMENDATION 1

To ensure that staffing levels are reasonable and that it has the right people in the right positions to meet its business needs, Ontario Power Generation should:

- evaluate and align the size of its executive and senior management group with its overall staffing levels;
- address the imbalances between overstaffed and understaffed areas in its nuclear operations; and
- review and monitor compliance with its recruitment and security clearance processes.

ONTARIO POWER GENERATION RESPONSE

In 2010, Ontario Power Generation (OPG) launched a multi-year Business Transformation initiative to reduce labour costs, create a sustainable cost structure and allow OPG to continue to moderate consumer electricity prices.

The number of executive and senior management positions, as well as overall staffing levels, is addressed through Business Transformation. There are currently a number of interim positions relating to Business Transformation, project work and other new initiatives. By August 2013, there were 218 senior management positions compared to 238 at the end of 2012. This number is forecast to continue to decline.

OPG has conducted extensive benchmarking of its nuclear and other operations. Based on this benchmarking, we are executing several initiatives that are designed to address opportunities for efficiencies, cost reductions and staff imbalances in nuclear operations. In 2012, the Ministry of Energy engaged a consulting firm to assess OPG's existing benchmark studies, and to identify organization and structural opportunities for cost savings. The report validated OPG's Business Transformation initiative and its objectives. We will continue to identify and implement other improvement initiatives.

As recommended by the Auditor General, OPG will review and monitor compliance with its recruitment and security clearance processes. We will also conduct an internal audit of our hiring practices.

COMPENSATION

OPG's labour costs account for most of its total operating costs. This proportion has increased from 55% in 2003 to 64% in 2012. In its March 2011 decision, the OEB also noted the significance of OPG's labour costs compared to its total operating costs and that its compensation levels were a concern in light of the overall poor performance of its nuclear business, in terms of operations and costs, compared to its peers. Therefore, the OEB disallowed $145 million in compensation costs, stating in its decision that the staffing levels and amount of compensation at OPG were both too high. OPG appealed the OEB's ruling. In June 2013, the Ontario Court of Appeal found that the OEB had based its decision on information that had not been available to OPG when it was in collective bargaining, concluding that OPG could not unilaterally reduce staffing levels and compensation rates that had already been set by collective agreements.

Compensation Levels

Unionized and Non-unionized Staff

At the time of our audit, OPG had about 11,100 employees. Approximately 90% of them are unionized: 58% are skilled trades, such as electricians and technicians, represented by the Power Workers' Union (PWU); and 32% are professionals, such as engineers and scientists, represented by the Society of Energy Professionals (Society). The extent of unionization at OPG has generally remained constant over the years. As in any unionized environment, changes to compensation can be made only through collective bargaining, grievances or arbitration.

In response to the ballooning provincial deficit, the government passed the *Public Sector Compensation Restraint to Protect Public Services Act* in March 2010 to freeze compensation growth for non-unionized employees in the Ontario Public Service (OPS) and Broader Public Sector (BPS). Although the legislation did not apply to unionized staff, the 2010 Ontario Budget contained a policy statement with clear expectations that new collective agreements would provide no net increase in compensation for at least two years.

OPG's payroll data showed that the average total earnings increased by 7% since the 2010 pay freeze legislation, from about $102,000 in 2010 to about $109,000 in 2012 (see Figure 6). Specifically, the average total earnings for unionized staff went up by 6% (from about $118,000 in 2010 to about $125,000 in 2012) for Society staff, and by 7% (from about $99,000 in 2010 to about $106,000 in 2012) for PWU staff. Meanwhile, the average total earnings for non-unionized staff dropped slightly between 2008 and 2010, even before the 2010 pay freeze legislation, because OPG limited base pay increases and reduced incentive awards to some extent. Since 2010, the average total earnings for non-unionized staff has increased 3%, from about $134,000 in 2010 to about $138,000 in 2012.

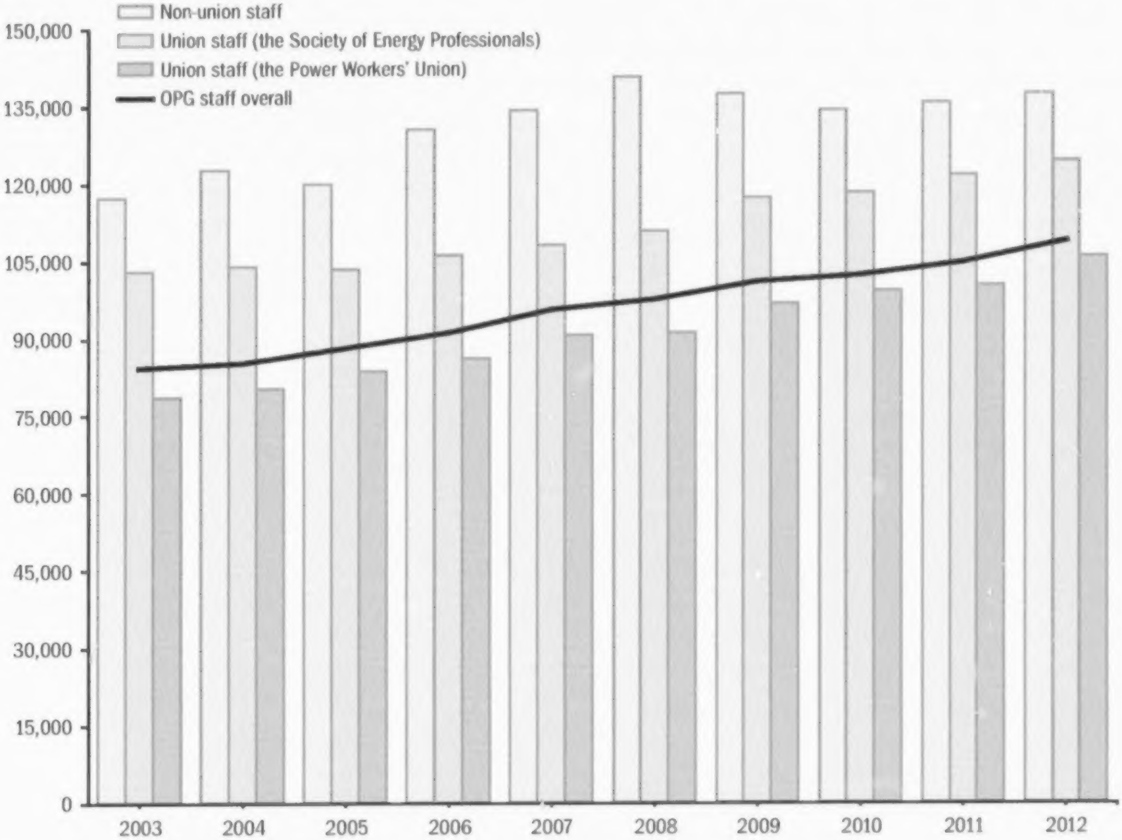
We found a number of reasons for the increase in average total earnings for OPG's staff over the last 10 years. Under collective bargaining, wage increases for unionized staff have been between 2% and 3% per year since 2003. This trend continued through to 2012 because unionized staff were not subject to the 2010 pay freeze legislation, making wage increases possible under their collective agreements so long as the increase could be offset by cost savings elsewhere. Specifically, with OPG's reduction in staffing levels in recent years, the savings gained from paying salaries to fewer staff were more than enough to raise wages for existing staff. This enabled PWU to negotiate wage increases of 2.75% in 2012, in 2013 and in 2014, and the Society to reach wage increases of 0.75% in 2013, 1.75% in 2014 and 1.75% in 2015 through an arbitration process. OPG indicated that these settlements were favourable in comparison with previous settlements and with settlements reached by other organizations in the electricity sector.

Non-unionized staff also received salary adjustments that were exempt from the pay freeze legislation. One such adjustment was incentive awards. For example, the 50 highest earners at OPG saw their earnings increase by an average of about 11% in 2011 from the previous year. Another adjustment was pay increases resulting from promotions; as we have already noted in this report, many OPG employees were promoted to executive and senior management levels in 2012. A third adjustment was made to temporarily mitigate wage compression, where non-unionized supervisors earn less than their unionized subordinates. For example, 680 Society staff earned more than their non-unionized supervisors in 2012, so an adjustment was made to raise the salaries of 220 non-unionized supervisors 3% above their highest-paid unionized subordinates.

We also found in our review of OPG payroll data from 2005 to 2012 a number of non-unionized

Figure 6: Average Total Earnings* for OPG Staff, 2003–2012 ($)

Source of data: Ontario Power Generation



* Average total earnings include base salary, overtime, incentives and bonuses as well as various types of allowances.

staff whose annual base salaries exceeded the maximum amount set out in the base salary schedule by more than $100,000, and in one case in 2005 and 2006 by more than $200,000. OPG told us that before 2010 it had treated the maximum as a guideline rather than a limit, and had approved and implemented salary increases before the 2010 pay freeze legislation. OPG also informed us that since 2010, no salary increases had been provided to the employees whose base salaries already exceeded the maximum.

We found similar instances for about 1,200 unionized staff who had received more than the maximum set out by the base salary schedule in 2012. OPG explained that this was because of the implementation of new base salary schedules for PWU staff in 2002 and Society staff in 2006. Essentially, if an employee's old base salary exceeded the maximum set out in the new schedule, he or she was "green circled" to maintain the old level while still receiving annual wage increases.

Sunshine List

OPG is required by the *Public Sector Salary Disclosure Act, 1996* to disclose annually the names, positions, salaries and total taxable benefits of any employees who made $100,000 or more in a calendar year. (This disclosure is popularly known as the "Sunshine List.")

The number of OPG staff on the Sunshine List has grown steadily since the organization was created in 1999, albeit at a slower pace after the 2010 pay freeze legislation. Over the last 10 years, the number has doubled, from 3,980 employees in 2003 to 7,960 in 2012, representing about 62% of the employees on OPG's payroll; the corresponding increases in total salaries and taxable benefits paid to those on the list were $513 million for 2003 and $1.11 billion for 2012. The number of OPG top-earners (people who earned $200,000 or more) on the Sunshine List has increased at an even faster rate—in 2012 it was almost four times higher (448 employees) than it was in 2003 (117 employees).

Compensation and Pension Benchmarking

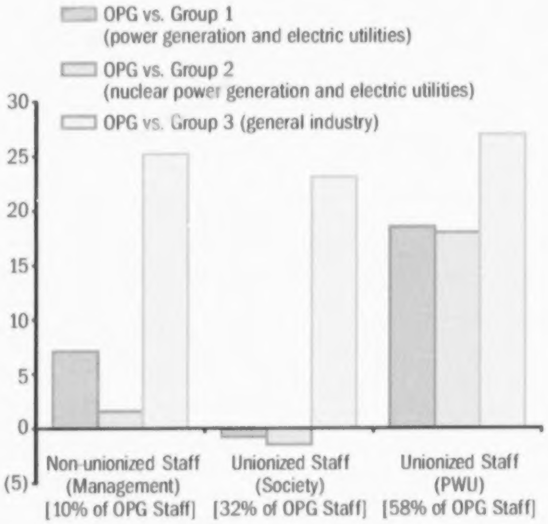
OPG vs. Similar Organizations

In its March 2011 decision, the OEB noted that OPG's compensation benchmarking analysis has not been comprehensive. It directed OPG to file a full, independent compensation study with its next application and recommended that the study cover "a significant proportion of OPG's positions" and that the benchmark should generally be set at the median (50th percentile).

OPG engaged a consulting firm to conduct a compensation benchmarking study in 2012. The study compared base salary levels and total cash compensation for about 50% of staff at OPG with similar organizations, including Bruce Power and utility companies in other Canadian jurisdictions. The study looked at three groups of positions (Power Generation & Electric Utilities, Nuclear Power Generation & Electric Utilities and General Industry) and found that compensation for a significant proportion of OPG's staff was well above the market median (see Figure 7). The study also found that OPG's annual pension and benefits (health, dental and life insurance as well as disability benefits) were higher than the market average, depending on base salary level. For example, the annual pension and benefits of an OPG employee earning a base salary of $60,000 would be about 19% ($2,400/year) higher than the market average; for an employee with a base salary of $220,000, they would be about 38% ($13,000/year) higher than the market average.

Figure 7: OPG's Total Cash Compensation Above/Below Canadian Market Median, 2012 (%)

Source of data: Ontario Power Generation



OPG vs. Ontario Public Service

In January 2007, the government established an Agency Review Panel to review specific issues at OPG and the other four provincial electricity-sector institutions (Hydro One, the Independent Electricity System Operator, the Ontario Power Authority and the Ontario Energy Board). Commenting on the organizations OPG chose to use as comparators for its compensation benchmarking, the Panel said there appeared to be "a bias in favour of utility/energy organizations in the private sector. To the extent public-sector organizations are used as comparators, it is almost exclusively Canadian utilities (for example, Hydro-Quebec, BC Hydro and Atomic Energy of Canada), and there is only very limited use of a broader public-sector group (for example, Ontario Public Service, provincial and federal Crown corporations or agencies and regulators)."

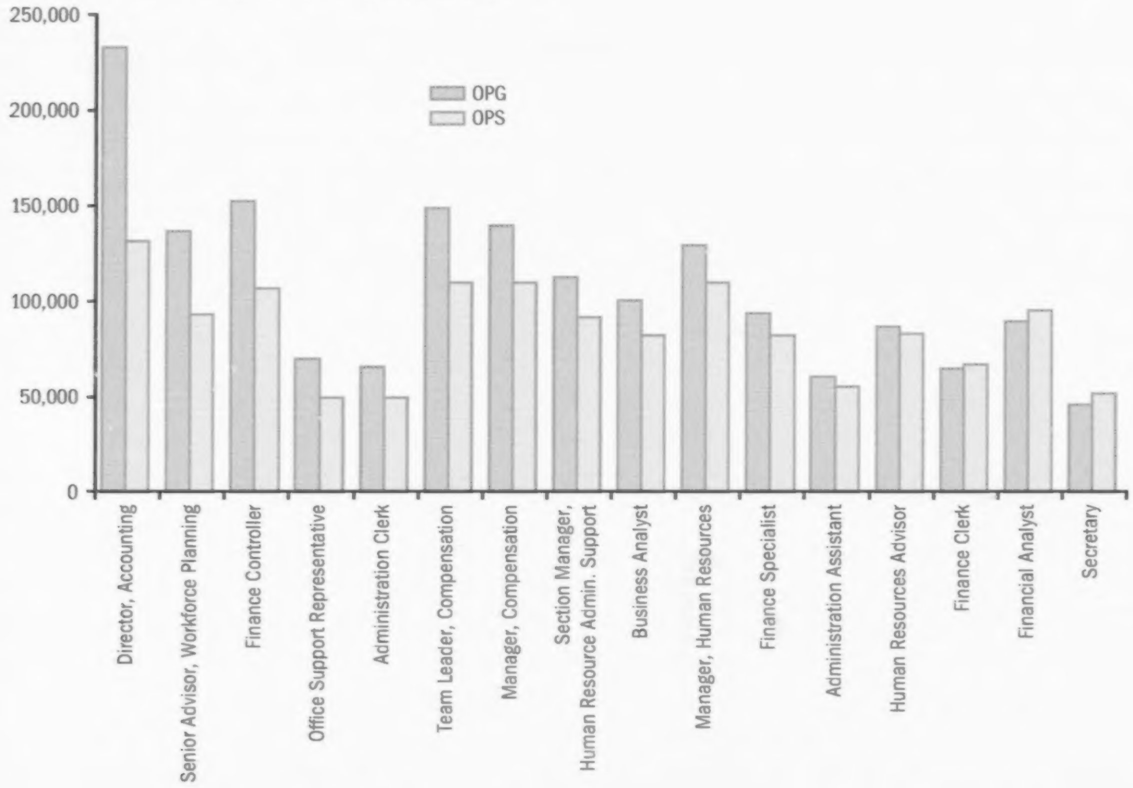
Given that the Province of Ontario is OPG's sole shareholder, we compared total earnings and pensions at OPG with those in the Ontario Public Service (OPS) for perspective. For total earnings, we selected 16 typical positions below the executive levels at OPG in areas such as administration, finance and human resources to benchmark against comparable positions in the OPS. For 13 of the 16 positions, the average total earnings at OPG were higher than the maximum total earnings in the OPS (see Figure 8). As for the executive levels, the total earnings for most OPG senior vice presidents significantly exceeded those for most deputy ministers in the OPS.

Pensions are a very significant part of total compensation at OPG. This is especially the case for executives, whose pensionable earnings can be greatly increased when bonuses or awards are added to their base salaries. Unlike the OPS, which has a 50–50 split between employer and employees for making pension contributions and funding pension shortfalls, OPG has unequal cost- and responsibility-sharing between employer and employees. We noted in particular:

- OPG's contributions to the pension plan have been disproportionately larger than those of its employees every year. Since 2005, the employer–employee contribution ratio at OPG has been around 4:1 to 5:1, significantly higher than the 1:1 ratio at OPS. For example, employees contributed $70 million to the pension fund in 2012 while OPG put in $370 million.
- Executives, who contribute only 7% of their earnings up to a maximum of $17,254 annually while OPG contributes 18.1%, are eligible for particularly generous pensions. For example, the top five executives at OPG will be eligible to receive annual pensions ranging from $180,000 to $760,000 when they reach age 65.
- OPG also bears the responsibility of financing any pension funding shortfalls. The most recent actuarial valuation, as at January 1, 2011, showed OPG's pension fund in a deficit position, with a shortfall of $555 million. This

Figure 8: Comparison of Average Total Earnings at OPG vs. Maximum Total Earnings at Ontario Public Service (OPS) ($)

Sources of data: Ontario Power Generation, Ministry of Government Services



was more than twice its projected shortfall of $239 million as at January 1, 2008. The next actuarial valuation will be prepared as at January 1, 2014.

- In July 2013, Dominion Bond Rating Service (DBRS), a Canadian-owned and globally recognized ratings agency, released its annual pension study reviewing 461 pension plan funds in Canada, the U.S., Japan and Europe. The report highlighted the 20 Canadian funds with the largest pension deficits. OPG was at the top of the list with a deficit of $3.3 billion. This amount, derived from the accounting valuation used for preparing OPG's financial statements, was different from the $555-million deficit amount from the most recent actuarial valuation, which is the valuation used for funding purposes.

Compensation and Staff Performance

Non-unionized Staff

In 2004, the OPG Review Committee established by the Ontario government noted that "accountability and compensation are closely linked. Providing the right incentives can help keep people accountable." However, the Committee found that there was "not a strong enough link between achievement and rewards" at OPG. We found that this was still the case.

Under OPG's Annual Incentive Plan (AIP), non-unionized employees are scored on their job performance on a scale of "0" (the lowest, with no award) to "4" (the highest), and receive an annual cash award for meeting key financial and operational objectives. As Figure 9 shows, awards can range from 4% of base pay (starting at $1,600) to 150% of base pay (as high as $1.3 million) depending on an employee's position, base salary level and AIP score. Therefore, a senior executive in job bands A, B or C, for example, would receive an award of 45% to 100% of his or her base salary for a score of "2," and 55% to 150% for a score of "3" or "4."

Figure 10 shows that the distribution of high AIP scores ("3" or "4") has been skewed toward executives and senior management staff (directors, vice presidents and above). On average, 67% of

Figure 9: Annual Incentive Plan (AIP) Award Structure*

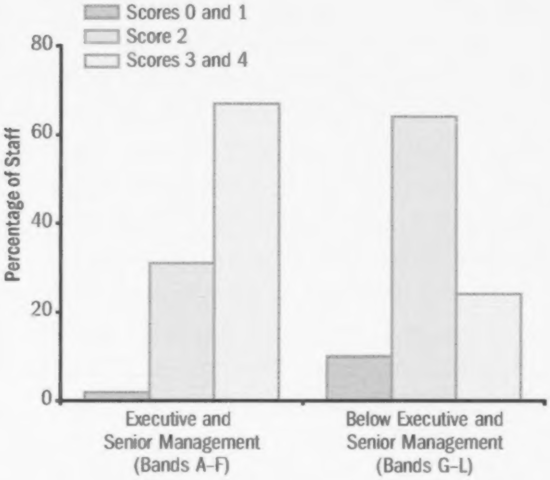
Source of data: Ontario Power Generation

			Base Salary Range ($)			AIP Score and Associated % Award			
Band	**Position Group**	**Positions (Example)**	**Min**	**Mid**	**Max**	**1**	**2**	**3**	**4**
A	Senior Executive	Chief Executive Officer	580,000	720,000	860,000	50	100	125	150
B		Executive Vice Presidents	315,000	390,000	465,000	22.5	45	55	67.5
C		Senior Vice Presidents	265,000	330,000	395,000	22.5	45	55	67.5
D	Executive	Chief Information Officer	195,000	260,000	325,000	12.5	25	30	37.5
E		Vice Presidents	160,000	200,000	240,000	12.5	25	30	37.5
F	Management	Directors	120,000	150,000	180,000	10	20	25	30
G		Managers	95,000	130,000	160,000	7.5	15	20	22.5
H		Section or First Line Managers	85,000	110,000	140,000	7.5	15	20	22.5
I	Professional	Analyst	65,000	85,000	105,000	5	10	12.5	15
J		Service Co-ordinator	55,000	70,000	90,000	4	8	10	12
K	Administrative	Administrative Assistant	45,000	55,000	65,000	4	8	10	12
L		Secretary	40,000	50,000	60,000	4	8	10	12

* Award amounts are calculated by multiplying the base salary by the percentage that corresponds with the AIP score. Both base salary ranges and AIP structure have remained unchanged since January 2008. There is no award for an AIP score of "0."

Figure 10: Distribution of Annual Incentive Program (AIP) Scores by Job Bands, 2010–2012

Source of data: Ontario Power Generation



executive and senior management staff received high AIP scores from 2010 to 2012. Only 24% of staff in lower job bands received high scores during the same period; the majority of them achieved a score of "2."

Some executives had incomplete or no performance evaluation documentation to support their high AIP scores. OPG explained that AIP scores are reviewed and validated in calibration meetings, but acknowledged that many performance evaluations were verbal and not documented in writing. We noted one case where an employee received a severance payment of $450,000 when terminated for ineffective performance and inappropriate behaviour. This employee had received a total of $760,000 in AIP awards in the previous four years. OPG informed us that the employee's behaviour had become an issue only in the last few months of his employment and was not related to his performance before then.

The majority of respondents to our survey indicated that they felt AIP was unfair and said they did not feel it encouraged them to be as productive as possible. In particular, respondents cited a lack of transparency in AIP scoring, which they felt had been to the benefit of senior management staff, and that scores were based on factors other than job performance and productivity.

Unionized Staff

We found that performance evaluations of unionized employees have not been done adequately and consistently. For example, the collective agreement for PWU staff stipulates that progression through steps in salary ranges will be time-based subject to satisfactory performance and successful completion of training, and that progression is to be withheld for six months if performance is not satisfactory. The usual method of determining whether staff performance has been satisfactory is a performance evaluation, but in our review of a sample of 15 PWU staff, we found that only two out of a possible 30 evaluations for 2010 and 2011 had been completed. OPG informed us that it does not have a requirement to prepare and document formal performance evaluations for PWU staff.

The majority of respondents to our survey felt that OPG did not have timely, effective and appropriate performance management in place for its unionized staff. They felt that collective agreements, grievances, arbitrations and automatic progression had created a perception that "nothing can be done" and a tendency to avoid dealing with poor performance.

At the time of our audit, there were 960 unionized employees in managerial and supervisory roles. In 2004, the government's OPG Review Committee also noted that "many staff members that OPG considers to be managerial belong to a bargaining unit, which may be an obstacle to accountability and effective pursuit of company goals. We strongly encourage all parties to make every effort to put in place a more rational arrangement." OPG informed us that two-thirds of its unionized staff with managerial or supervisory roles are represented by the Society, and a clause in their collective agreement allows them to perform those functions.

The majority of respondents to our survey also indicated that they felt unionized staff performing managerial or supervisory functions had a negative impact on accountability and performance management. They cited conflicts of interest and reluctance amongst unionized managers or supervisors to carry out performance reviews or deal with performance problems of their unionized subordinates.

Other Employee Benefits

In addition to base salary and incentive awards, OPG grants its employees various other types of benefits. Some were for significant amounts, which we found questionable in some cases.

Housing and Moving Allowances

When regular OPG employees change their work location, they are eligible for housing and moving allowances and relocation benefits that cover various expenses. These include legal fees and disbursements related to the sale and purchase of properties; real estate brokerage fees; upkeep costs on former residences that have not yet sold; interim living expenses before moving into a new residence; packing and shipping of household goods; temporary storage; house-hunting trips; home-inspection fees; and incidental out-of-pocket expenses. OPG indicated that all relocation benefits are subject to Canada Revenue Agency taxation requirements and employees are cautioned to retain receipts in case they are audited.

Payroll data from 2009 to 2012 showed that OPG spent on average about $1.4 million each year on housing and moving allowances. When we reviewed the files documenting the costs of moving individual employees, we found employees who had not only received housing and moving allowances granted by OPG through payroll but also received further benefits by claiming various other expenses. OPG was unable to locate the supporting documents for some of these claims. For example:

- An employee transferring to another office sold his former residence for about $354,000 and purchased a new property for $1.35 million. Payroll data showed that he had received more than $244,000 for housing assistance and moving expenses. However, when we added up the other expenses his file showed that he had claimed, we found the total amount that he received was actually over $392,000.
- Another employee chose to rent an apartment instead of buying a property in his new location. Payroll data showed that he had received $75,000 for rental assistance and moving expenses. However, with the other benefits his file showed that he received, the actual total was $140,000.
- A third employee, when transferring to another office, sold his old residence for $380,000 and bought a new property for $830,000. Payroll data showed that he had received about $43,000 for housing assistance and moving expenses. With the other benefits his file showed that he received, the actual total was $79,000.

OPG's policy is that employees must move a minimum of 40 kilometres closer to their new work location to qualify for housing and moving allowances. However, OPG informed us that staff who moved fewer than 40 kilometres closer could qualify if a move caused hardship. In one example of this, an employee who transferred from the Toronto office to Pickering received over $80,000; however, not only had he moved only 10 kilometres, but he moved further away from his new work location (the move was within the same city as his old residence, which was not Toronto or Pickering).

OPG also provides a purchase guarantee in the event that a transferring employee's property is not sold within a 90-day listing period. It incurred losses for 95 of the 98 properties it purchased and resold on behalf of its employees from January 2006 to April 2013, for a total loss of about $2 million.

Travel and Miscellaneous Allowances

Payroll data for 2009 to 2012 shows that OPG incurred about $2.8 million each year on average for travel and miscellaneous allowances. Staff can request these allowances for a number of reasons, some of which we found questionable. For example:

- OPG assigned three employees to work on a rotational job and provided a $15,000/year allowance to one of them because she was unable to drive and needed to take a taxi to work. However, we noted that OPG had also paid $15,000 each to the other two employees, who did drive to work.
- OPG offered $1,500 per month for one year to an employee who had accepted a position in a new location, because he had to drive further to work until he could move into his new home. His letter of employment stated that the allowance was "to offset some of the hardships that he and his family may experience with this move." His file also noted that he could "live for free until the construction of his new home was completed." Although payroll data showed that he received about $17,000 in housing and moving allowances, the amount of total benefits he actually received was close to $115,000 when other expenses such as groceries, meals out, car rental and a car damage claim were included.
- Payroll data from 2009 to 2012 also showed that OPG spent about $1.4 million on average each year on "miscellaneous" allowances, mainly for annual, non-pensionable "executive allowances" of various amounts ($30,000, $24,000, $20,000 and $12,000) depending on the executive's income and length of service.

RECOMMENDATION 2

To ensure that employees receive appropriate and reasonable compensation in a fair and transparent manner, Ontario Power Generation should:

- make its Annual Incentive Plan (AIP) more effective by creating a stronger link between awards and staff performance based on documented annual evaluations; and
- review salary levels and employee benefits, including pensions, to ensure that they are reasonable in comparison to other similar and broader-public-sector organizations and that they are paid out in accordance with policy, adequately justified and clearly documented.

ONTARIO POWER GENERATION RESPONSE

Ontario Power Generation (OPG) recognizes the importance of strongly linking individual incentive awards with performance. Annual Incentive Plan (AIP) awards are based on individual, business unit and corporate performance. As recommended by the Auditor General, OPG will assess options to further reinforce this linkage.

OPG's management compensation is currently at the 50th percentile (i.e., median) relative to the benchmark based on data from Canadian organizations in both general and specific industries in sectors such as power generation/utilities, mining, petroleum/natural gas, and nuclear research, development and engineering. We have reduced total management compensation since 2008. Compensation for OPG's executives, including vice presidents, continues to be frozen. OPG has also reached collective agreements with its unions that reflect government direction regarding compensation constraints.

There are controls in place to ensure employee salaries, benefits and pensions are in accordance with OPG policy, Canada Revenue Agency taxation requirements, and other legislation. As with any pension plan, retiring employees are entitled by law to elect to receive the commuted value of their pension in a single lump-sum payment. As recommended by the Auditor General, OPG will continue to monitor and amend controls as needed to ensure compensation is justified and clearly documented.

We acknowledge that OPG pension and benefits are higher than market average. As a result, in 2011, we completed a review of pension and benefit plans to reduce costs and improve sustainability. OPG also participated in a 2012 pension reform committee established by the government, and will be participating in the electricity sector working group, consisting of employer and employee representatives, as announced in the 2013 Ontario Budget.

USE OF NON-REGULAR STAFF AND CONTRACT RESOURCES

Apart from regular employees, OPG's other human resources include non-regular staff (temporary and contract), outsourced information technology (IT) workers, and contractors from private-sector vendors. Of particular concern to us were OPG's practice of rehiring former employees, the IT outsourcing arrangement, and management of nuclear contractors.

Rehiring Former Employees as Temporary or Contract Staff

There were approximately 1,700 temporary staff and contract staff working for OPG in 2012. We noted that about 120 of them had formerly been regular employees. In our review of a sample of temporary and contract staff who were former employees we found that most had been rehired mainly for the purpose of identifying, grooming and training successors or meeting core business needs, suggesting that knowledge transfer and succession planning at OPG has not kept pace with attrition and retirement. We also found that almost all of them had been rehired shortly after leaving OPG. Some of them continued to receive significant amounts in allowances and Annual Incentive Plan (AIP) awards, and some had already drawn their pensions in single lump-sum payments upon leaving. We noted in particular:

- An employee who chose to receive his pension in a lump sum was rehired by OPG shortly after he retired and continued to work at OPG for about six years. His total earnings in his sixth year as a temporary employee were $331,000, which included an executive allowance of $12,000 and an AIP award of $98,200—double his annual amount as a regular employee.
- Another employee who chose to draw his pension in a significant lump sum returned to work at OPG a month after his retirement. His total earnings that year as a temporary employee working three days a week were $328,000, which included an AIP award of $147,000 for his performance before retirement.
- Shortly after leaving OPG, two nuclear employees who chose to receive their pensions in lump-sum payments were rehired as contract employees.

We also found that selection processes and decisions to rehire former employees were not always transparent:

- All the temporary staff in our sample had been selected and rehired by executive or senior management staff without job postings or competitions. OPG explained that these were unnecessary because only former employees would have been suitable for the positions. Most of their original contracts were extended beyond 12 months with only a one- or two-page document attached indicating the contract length and terms but without specifying why the contract needed to be extended.
- For the contract staff in our sample, justifications for extending contracts beyond 12 months had been documented, but no evaluations were kept on file. OPG explained that these were unnecessary because contract employees who did not perform satisfactorily could have their contracts terminated without any significant notice period or penalty payment.

Many of the respondents to our survey expressed concerns similar to ours. They felt that rehiring former employees on an ongoing basis was an indication of poor succession planning. They also felt that better processes should have been put into place to capture the knowledge and experience of retiring staff; to identify and train their successors with sufficient lead time for the transition; and to avoid "double-dipping" by former employees who had withdrawn their pensions in lump sums upon leaving OPG only to return and earn a salary again.

In response to the above concerns, OPG indicated that it was necessary to hire former employees and to pay them at higher rates because it was difficult to find people with the right skills to fill the positions right away, and that it could not influence employees who wished to draw their pensions in single lump sums before returning to work at OPG because this was a personal choice.

Outsourcing of Information Technology Services

OPG has been outsourcing its information technology (IT) function to the same private-sector vendor since February 2001, after it conducted a competitive process and signed a 10-year (February 1, 2001–January 31, 2011), $1-billion contract with the vendor. They formed a joint venture (ownership: 51% vendor and 49% OPG) for delivering IT services to OPG, and 684 OPG employees (about 400 unionized) were transferred to the joint venture. A little over a year later, in March 2002, OPG accepted the vendor's offer of purchasing OPG's share of joint venture ownership.

In March 2007, OPG reviewed its existing outsourcing arrangement and decided to end the contract early in October 2009 and then renew it with the same vendor without competition for a term of six years and four months (October 1, 2009–January 31, 2016) at $635 million. Including the durations of the original and renewed contracts, the total contract length is 15 years.

Although OPG did not go through an open-competition process, its management did prepare a "single-source justification" form, which indicated that renewing the contract would avoid transition costs of $25 million and save $105 million from 2009 to 2015, and identified labour relations as a factor that would make switching to a new vendor unfavourable. OPG informed us that if it stopped using the current vendor, it would have an obligation to reimburse the vendor for severance costs associated with about 270 staff who are former OPG employees. We note, however, that OPG is still responsible for the severance costs whenever these staff leave the vendor's employ (for example, by being laid off or retiring)—staying with the current vendor simply means the severance payout will not be immediate.

OPG's management submitted its proposal to renegotiate and renew the contract with the current vendor to its Board on October 1, 2009, and received approval on the same day. However, only after it received this approval did OPG start looking for consultants to validate and endorse the proposal. Two consultants were engaged on October 6, 2009, and issued their final reports within a week.

There are good reasons for public-sector organizations to use open competition rather than non-competitive approaches. Through open competition, organizations can determine a fair market price for the goods and services they require when a variety of suppliers submit competitive bids, and this also helps demonstrate accountability and ensure value for money. In addition, competition eliminates risks associated with over-reliance on a single supplier and minimizes the perception of conflict of interest. By single-sourcing its IT services, OPG did not take full advantage of these benefits.

Time Reporting of Nuclear Contractors

OPG uses Oncore, a web-based time management system, to track the hours and costs of nuclear contractors. It uses a three-step process to do this:

1) Each vendor has "contractor time entry supervisors" who input contractors' paper timesheets into Oncore; 2) OPG "contract administrators" verify and approve the timesheets in Oncore; 3) OPG "contract owners" give final approval on the timesheets, which are then consolidated into an invoice to be automatically paid by OPG.

Oncore processed the hours reported by about 1,200 contractors in 2011 and 2,200 in 2012, with associated labour costs of about $56 million in 2011 and $88 million in 2012. Overtime pay has accounted for a significant percentage of the labour costs for contractors supplied by several large vendors, ranging from 19% to 43%. OPG indicated that overtime was often a result of outages and emergent (unplanned or unscheduled) work.

We selected a sample of contractors and reviewed their hours in Oncore for one week in 2012. The cost of labour for each contractor was high, ranging from about $8,000 to $12,000 per week. We noted that the hours in Oncore had not always been reconciled with supporting documents, which could lead to inaccurate time inputs and overpayment to vendors. In 2010, OPG's Internal Audit department identified a similar issue, which it ranked as high risk and flagged for "prompt management attention." However, we found that OPG has not fully addressed this issue:

- In 2010, Internal Audit recommended "more detailed information in the contract logbooks, including the start and end times of work activities, the contractor supervisors' names and titles, the applicable work orders and the contractor workers' names. This information should be reconciled to the time submitted in Oncore." We noted that the logbooks often did not contain these details. OPG informed us that the recommendation was never implemented and it had no standard practice for logging contractor activities.
- In 2011, in response to a 2010 Internal Audit recommendation, OPG implemented a system called "Job Clock" to track contractor attendance and time spent on site. The recommendation noted, "[T]his system has the capability to generate Job Clock reports that can be used by contract administrators to reconcile time entered into Oncore prior to approval." However, we found that contract administrators often did not do so. We reviewed about 2,600 hours reported by contractors at sites where Job Clock was in place and found that about half of them were not supported by Job Clock reports.
- Overtime hours reported in Oncore were often not supported with documentation showing requests and approvals. OPG contract administrators told us that they either could not locate the documents or had approved the overtime verbally. OPG also informed us it had no standard method for documenting approval of overtime.

RECOMMENDATION 3

To ensure that its non-regular and contract resources are used cost-efficiently, Ontario Power Generation should:

- improve its succession planning, knowledge retention and knowledge transfer processes to minimize the need to rehire retired employees for extended periods;
- conduct an open competitive process for outsourcing its information technology services before the current contract expires; and
- manage and monitor closely the hours reported by the contractors to avoid the risk of overpayment.

ONTARIO POWER GENERATION RESPONSE

Ontario Power Generation's (OPG) contracting practices are consistent with nuclear industry practices, which address both the need for specialized skills and demographic imbalances of its workforce. Using the short-term services of existing trained and skilled workers also mitigates the need to hire a permanent workforce during periods of transition or peak work, resulting in substantial cost savings. As recommended by the Auditor General, OPG will review its practices related to rehiring retired employees.

OPG conducted a competitive process when we outsourced our information technology services in 2001. Through an assessment of alternatives initiated in 2007, and through third-party validation, we concluded that renewal under a significantly restructured contract would provide the most significant value to both OPG and ratepayers. We plan to assess all potential options before the current contract expires, including an open competitive process that is consistent with the recommendation of the Auditor General.

OPG concurs with the Auditor General on the importance of accurate contractor payments and will investigate alternatives to manage and monitor contractor hours. In 2012, we enhanced controls by implementing new contracting strategies and will be assessing further control opportunities with regard to time-tracking tools and the time-approval process.

OVERTIME

In its March 2011 decision, the OEB expressed concerns about the "extensive use of overtime, particularly in the nuclear division" at OPG and said that it expected "OPG to demonstrate that it has optimized the mix of potential staffing resources." In our review of staffing records, we found that management of overtime at OPG still required significant improvement.

Ten-year Overtime Trend

Prior to the OEB's decision, OPG's overtime costs rose steadily from $133 million in 2003 to $169 million in 2010, and then dropped to $148 million in 2012. About three-quarters of OPG staff claimed overtime in each of these years, earning on average about $15,000 each in overtime pay. The nuclear unit accounts for about 80% of OPG's annual overtime costs; about half of these were related to planned outages at nuclear facilities, particularly Pickering.

OPG's overtime cost percentage (overtime costs divided by base salary) dropped from 16.2% in 2008 to 13% in 2011, but was slightly higher than the averages (14.3% in 2008 and 12.1% in 2011) of large utility companies in the U.S. According to OPG, planned outages have been the main driver of its overtime costs because its outage periods are generally much longer than those of its U.S. counterparts due to technical differences and different inspection requirements.

Although OPG's overtime costs have been decreasing in recent years, its number of high overtime earners has increased significantly. Over the last 10 years, the number of OPG employees who earned more than $50,000 in overtime pay has doubled, from about 260 in 2003 to 520 in 2012. The number of staff who earned more than $100,000 in overtime pay has also grown considerably—in 2003 there was only one such employee, but by 2012 there were 33.

Management of Overtime

OPG informed us that all overtime must be preapproved by a supervisor, who has the discretion to do so as long as his or her overtime budget has not been exceeded. We looked at a sample of employees with high overtime pay and noted that 20% of them had no supporting documents for overtime pre-approvals. We also noted that about one-third of the departments covered in our sample had exceeded their overtime budgets every year since 2009. In addition, each department used different methods of pre-approving overtime—some departments required paper overtime request forms to be submitted and approved before any overtime hours could be worked, but in most departments verbal approvals were sufficient.

We performed an analysis of overtime pay and noted that OPG could improve its deployment of staff, especially for inspection and maintenance (I&M) technicians, who conduct regular inspections and work on outages at nuclear stations. In our review of payroll data, we noted that I&M technicians consistently earned high overtime each year. For example, in 2012 the average overtime pay for OPG's 180 I&M technicians was more than $66,000 each, representing more than half of their annual base salaries.

OPG acknowledged that planned outages have resulted in high overtime pay, especially for I&M technicians who are regular daytime employees but who are placed on schedules different from their normal hours during outages. Every hour they work that is not one of their normal working hours is considered overtime—even if they work none of their normal hours. Their compensation for those hours is one-and-a-half to twice their basic pay, depending on the days and times they worked. For example, we noted that the highest overtime earner at OPG in 2012 received $211,000 in overtime pay, but his annual base salary had been reduced from $135,000 to $58,000 because when he was put on an outage schedule he no longer followed his normal schedule. His normal base hours therefore showed up as unpaid leaves and all the hours he worked outside his normal schedule were paid at the overtime rate.

The collective agreement stipulates that OPG is responsible for preparing and administering outage schedules. According to OPG, there were about four or five planned outages each year at Pickering and it developed outage plans two years in advance to calculate the number of months each year in which I&M technicians would be required to provide 24/7 coverage.

Many of the respondents to our survey felt that the most common contributor to inappropriate and inefficient uses of overtime was poor planning and scheduling. They also felt that outages could have been planned better by moving around shift schedules instead of using overtime, and that unionized staff sometimes treated overtime as an avenue to increase their pay.

RECOMMENDATION 4

To ensure that overtime hours and costs are minimized and monitored, Ontario Power Generation should:

- decrease overtime costs for outages by planning outages and arranging staff schedules in a more cost-beneficial way; and
- review other ways to minimize overtime.

ONTARIO POWER GENERATION RESPONSE

Nuclear outages are extremely complex projects that are planned and resourced two years in advance. The scope of work may be affected by emerging issues, unforeseen equipment conditions and changes in regulatory requirements. The majority of overtime costs are associated with activities relating to these outages. Ontario Power Generation (OPG) continuously balances the use of overtime versus contractors and considers the related amount of lost generation and revenue caused by extending the duration of the outage. Our overtime cost percentage is comparable to large utility companies in the United States.

OPG will conduct a cost-benefit analysis to explore various ways, including scheduling and hiring staff and/or contractors, to minimize overtime cost.

ABSENTEEISM

Sick Leave Trend

OPG's sick leave plans are relatively generous compared to those of the Ontario Public Service (see Figure 11). In particular, unionized staff who began working for OPG before 2001 are entitled not only to carry over unused sick days from one year to the next, but also to restore their used sick days every five years. For example, an employee who took four sick days in Year 1 will receive these four sick day credits back after five years of service in addition to the normal number of sick leave credits he or she is entitled to for the year. As of December 31, 2012, about 5,200 employees—or almost half of OPG's staff—were still under the old plan. On average, each of them has restored and accumulated 162 sick leave credits with full pay and 191 sick leave credits with 75% pay. Unused credits are not paid out on termination or retirement.

The average number of sick days taken per OPG employee, including both short-term absences and major medical absences, has gone up 14% (from 9.2 days in 2003 to 10.5 days in 2012). Direct costs associated with sick days have grown significantly, by 41% (from $29 million in 2003 to $41 million in 2012). OPG informed us that sick days and their associated costs have gone up because of the 12-hour shift arrangement that is followed by most of OPG's nuclear staff—if a 12-hour shift worker misses a shift because of illness, it is counted as 1.5 sick days. Compared to other sectors, the average number of sick days taken per employee at OPG was fewer than the public sector's 12.9 days but more than both the private (8.2 days) and utility (7.3 days) sectors.

Management of Sick Leave

We noted that some of OPG's key sick leave management programs were not being used as effectively as they could be. While we noted no abuses of sick leave credits in our sample testing, a significant accumulation of sick leave credits is possible, leading to a higher risk of abuse if these programs are not used effectively.

The Short-Term Absence Management Program is in place to identify the medical reasons for an employee's absence pattern. Supervisors are expected to regularly examine their staff's attendance records; if an employee's sick leave usage is above the business unit's standard, they are to meet with the employee to discuss the right course of action and document the outcomes. We reviewed the files of a sample of employees whose sick leaves were above the business unit average from 2009 to 2012 and found no documents indicating whether their supervisors had met with them and what the outcomes had been. OPG explained that it had no formal requirements

Figure 11: Sick Leave Plans at OPG vs. Ontario Public Service (OPS)

Sources of data: Ontario Power Generation, Ministry of Government Services

		OPG		
		Unionized Staff		
	OPS	Old Plan (Staff hired before 2001)	New Plan (Staff hired in or after 2001)	Non-unionized Staff
Annual entitlement (100% pay)	6 days	8 days	8 days	130 days
Annual entitlement (75%)	6 months	15 days	6 months	No
Accumulation of unused sick days (100% pay)	No	Indefinitely with no limit[1]	Indefinitely with no limit[1]	No
Accumulation of unused sick days (75% pay)	No	Indefinitely with a limit of 200 days[1]	No	No
Restoration of used sick days	No	Yes[2]	No	Yes[3]

1. Unused sick day credits are not paid out on termination or retirement.
2. After five years of service, sick day credits used in the first year are restored. From the sixth through fourteenth years, sick day credits used in the five previous years are restored. On the fifteenth year, sick day credits used before the second-last year of service are restored. After that, sick day credits used in the second-last year are restored annually. Unused sick day credits are not paid out on termination or retirement.
3. After one month back to work, the number of sick day credits will increase back to 130 days.

for this documentation to be retained as official records. After we completed our audit fieldwork, OPG informed us that it was implementing a new program with more stringent requirements.

OPG's Disability Management Program is in place to ensure that employees are fit to do their job after longer periods of sick leave (four or more consecutive days for PWU staff and five or more for Society and non-unionized staff). Supervisors are expected to notify OPG's staff nurse about the absences and employees must submit a Medical Absence Report completed by a physician within 14 days of their first day off sick. We reviewed the files of a sample of employees with longer sick leave absences since 2010 and noted that 55% of the employees in our sample should have filed Medical Absence Reports, but almost half of them had not done so on at least one occasion. OPG informed us that the requirement might be waived for recurrent absences caused by chronic disease.

OPG has an automated employee absence calendar to help managers identify unusual sick leave patterns. However, more than half of the respondents to our survey said they were not aware of the calendar or did not use it, and another quarter of them said they used the calendar only infrequently (annually or quarterly). OPG informed us that some managers used the calendar more frequently than others, depending on the types of absences and the size of the department or group.

RECOMMENDATION 5

To minimize the cost of sick leaves and avoid potential misuses or abuses of sick leave entitlements, Ontario Power Generation should:

- review its sick leave plan for staff who joined prior to 2001; and
- monitor the results of sick leave management programs to identify and manage unusual sick leave patterns.

ONTARIO POWER GENERATION RESPONSE

Ontario Power Generation (OPG) is committed to having a healthy and productive workforce while minimizing sick leave costs. The average number of days lost through short-term absences in 2012 was approximately five days per employee, excluding major medical absences. As recommended by the Auditor General, OPG will review its sick leave plans and assess the costs and benefits of any changes that are required through collective bargaining. OPG will continue the Business Transformation efforts already under way to minimize the costs associated with sick leave by proactively supporting employees in improving and maintaining their health, while implementing processes and tools such as the automated employee absence calendar to assist managers in effectively managing sick leave issues.

STAFF TRAINING

In 2012, OPG centralized its staff training into a single business unit called Learning and Development (L&D). Before then, staff training had been managed separately by each functional area: nuclear, hydro/thermal and corporate support. At the time of our audit, OPG had about 290 L&D employees and its training costs for 2012 were $127 million. About half of this amount was for developing training materials, delivering courses, paying trainers, managing training records, administering tests, and maintaining training simulators and equipment; the other half was for paying workers' salaries while they attended training.

Nuclear Training

OPG provides training to about 7,000 nuclear staff at two learning centres, Pickering and Darlington. OPG's Nuclear Oversight and Performance

Improvement Department oversees the training along with two external organizations, the Canadian Nuclear Safety Commission (CNSC) and the World Association of Nuclear Operators (WANO), who both routinely send out inspection teams to review OPG's nuclear training programs. Both internal and external reviews help OPG's management identify areas for improvement and report on whether OPG's nuclear training programs adhere to applicable standards and requirements.

The majority of OPG's nuclear staff are nuclear operators who fall into two main categories: non-licensed operators (NLOs) and authorized nuclear operators (ANOs). NLO candidates must undergo a 24-month training period. To become an ANO, a candidate must be a fully qualified NLO for at least one year and then complete a 36-month training period. At the time of our audit, OPG had about 950 NLOs and 160 ANOs. The minimum education required to become a nuclear operator in Ontario is completion of Grade 12 with university-preparation course credits in math, physics and chemistry. Accordingly, the training that OPG provides is necessary to ensure that nuclear operators are sufficiently prepared for the job. In 2012, the average annual earnings at OPG for NLOs and ANOs were $112,000 and $207,000, respectively.

To identify best practices and opportunities for improvement, OPG benchmarked its NLO and ANO training programs against those at the Pilgrim Nuclear Station in Massachusetts (Pilgrim) in September 2012. OPG informed us that it has prepared improvement plans to address the following issues identified in the benchmarking study:

- OPG's NLO training program was not well-structured, class sizes were larger and training material was not as comprehensive.
- OPG's NLO trainers had varying levels of qualifications, experience and ability.
- OPG's NLO trainees generally lacked hands-on experience in any industry and lacked discipline.
- OPG's ANO training program was lengthy (32 months versus 16 months at Pilgrim), which OPG believed was preventing it from attracting good candidates.
- The completion rate for the ANO training program at OPG has been around 56%, which was below both its own workforce planning goal (70%) and Pilgrim's completion rate (75%).

We noted some additional areas to address in our review of OPG's nuclear training:

- Only one of OPG's 19 NLO trainers was a Supervisory Nuclear Operator, considered by OPG to be the ideal position for an NLO trainer. Two other trainers had worked as nuclear operators for only one year.
- An ANO can go through additional training to become a Control Room Shift Supervisor (CRSS). The completion rates for CRSS training programs in 2012 at Darlington and Pickering were 0% and 57%, lower than the industry completion rate of 60–65%. OPG informed us that the length of the CRSS training program (32 months) has contributed to low completion rates.

Hydro/Thermal Training

OPG delivers training to about 2,000 hydro/thermal staff at the Etobicoke learning centre and at hydro and thermal stations across Ontario. Unlike the nuclear sector, there is no regulatory oversight of hydro/thermal training, and OPG's training in this area has never been evaluated by itself or third parties. We identified the following issues related to staff training requirements and course attendance in our review of hydro/thermal training:

- In 2012, 30% of the courses OPG requires had not been completed. OPG informed us that even if a training course was recorded as required in the database, supervisors might not send their staff to training if they felt there was no immediate need for them to learn a specific skill set.
- In June 2010, OPG's Hydro/Thermal Training Decision Making Committee raised a concern about last-minute cancellations of scheduled

courses and recommended that plant managers should try to reduce them to optimize the use of training resources. This was still an issue at the time of our audit. In 2012, about 4,500 of 21,000 scheduled courses for trainees had been cancelled. No reasons were given for about 1,400 of the cancellations; the remaining had been cancelled for reasons such as employee no-show, illness, or pre-approved vacation day, among others. We also noted similar course cancellation patterns for 2011.

RECOMMENDATION 6

To ensure that its employees are adequately trained for their jobs, Ontario Power Generation should:

- continue to review and monitor the adequacy, quality and completion rates of its nuclear training programs in order to identify areas for improvement, and address the areas that have already been identified; and
- review the nature and timing of its mandatory training requirements as well as its delivery methods for hydro/thermal staff to ensure they are meeting business needs cost-effectively.

ONTARIO POWER GENERATION RESPONSE

Ontario Power Generation's (OPG) nuclear training programs are extensively benchmarked against industry best practices and are routinely audited by the Canadian Nuclear Safety Commission and the World Association of Nuclear Operators. OPG is in the process of implementing enhancements to its nuclear training programs where there are opportunities for improvement while continuing to build on identified strengths. As recommended by the Auditor General, OPG will continue with its review of the nature, timing and delivery methods of mandatory training requirements for hydro/thermal staff.

Chapter 3

Ministry of Education

Section 3.06 Private Schools

Background

The purpose of education, as stated in the *Education Act* (Act), is to provide students with the opportunity to realize their potential and develop into highly skilled, knowledgeable, caring citizens who contribute to society. The Act states that every child who attains the age of six years shall attend a public school unless that child is receiving satisfactory instruction at home or elsewhere. Private schools are considered one of the alternatives to public education and are defined in the Act as institutions that provide instruction between 9:00 a.m. and 4:00 p.m. on any school day for five or more school-age pupils in any of the subjects of the elementary or secondary school courses of study.

All private schools are to be registered with the Ministry of Education (Ministry). During the 2012/13 school year, there were over 1,000 registered private elementary and secondary schools in Ontario that informed the Ministry that they had enrolled approximately 110,000 students. These schools are considered to be independent organizations, are not required to follow policies developed for publicly funded schools (those schools in either English or French district or Catholic school boards), and are not required to follow the Ontario curriculum unless the school offers credits toward the Ontario secondary school diploma (OSSD). The Ministry conducts program inspections at only those registered private schools that offer credits toward an OSSD. The programs offered at non-credit-granting schools are not inspected by the Ministry. The number of credit-granting and non-credit-granting private schools in Ontario is shown in Figure 1.

Parents choose to send their children to private schools for a variety of reasons, such as the school offers an educational approach that may better suit their children, the school reinforces the religious practices of the home, or they believe that private schools achieve better academic results. The actual academic results of standardized testing suggest that the quality of education provided by participating private schools varies from well below average to excellent. Not only do Ontario private schools range in quality from well below average to some of the best schools in Canada; they also vary significantly in size from sometimes less than the minimum five students to enrollments of well over 1,000 students.

Private school tuition fees generally range from $5,000 to $20,000 but can be significantly more. The Ministry does not provide any funding but, given that publicly funded education exceeds $10,000 per student per year, private schools in effect either save the taxpayers over $1 billion annually or enable the Ministry to allocate this

Figure 1: Registered Private Schools, 2012/13 School Year

Source of data: Ministry of Education

	OSSD Credit-granting Schools[1]	Non-credit-granting Schools[2]	Total
Elementary	0	517	517
Combined elementary and secondary	169	73	242
Secondary	239	15	254
Totals	**408**	**605**	**1,013**

1. The Ministry performs OSSD program inspections at credit-granting schools.
2. No ministry inspections are performed at non-credit-granting schools.

amount to other education priorities. Accordingly, a strong private school system can benefit the taxpayers as well as both public and private school students.

Although the Ministry focuses on the delivery of publicly funded education, section 16 of the Act provides direction to the Ministry and to private schools regarding their legislated roles and responsibilities with respect to establishing private schools, ministry inspections of credit-granting schools, data collection and student testing. Ministry functions are performed by three full-time and one part-time head office staff assisted by 24 education officers (inspectors) located in six regional offices who devote about 20% of their time to private schools. Based on this allocation of personnel, the Ministry has the equivalent of about eight staff devoted to overseeing private schools in Ontario.

Audit Objective and Scope

The objectives of our audit were to assess whether the Ministry had adequate procedures in place to:

- assess the effectiveness of private schools in providing satisfactory instruction; and
- ensure compliance with the *Education Act* and related ministry policies.

Senior ministry management reviewed and agreed to our audit objectives and associated audit criteria.

Our audit work was conducted at the Ministry's head office and at selected regional offices with the responsibility for overseeing approximately 80% of private schools. We reviewed and analyzed ministry files, administrative directives, and policies and procedures, and interviewed ministry staff. We also met with staff at the regional offices, including education officers responsible for validating and inspecting private schools, but we did not include audit visits to private schools in the scope of our audit because they are not provincial grant recipients. We researched private school oversight practices in other jurisdictions and solicited the opinions of universities, the Ontario Universities' Application Centre, Ontario College Application Service and several private school associations.

Summary

Ontario has one of the least regulated private school sectors in Canada. Consequently, on its website, the Ministry cautions parents to exercise due diligence before entering into a contract to educate their children at a private school. The Ministry provides very little oversight to ensure that private school students are receiving satisfactory instruction. In fact, although private school results vary greatly, we found that public school students on average performed significantly better on standardized tests than private school students. In addition, although the Ministry inspects the standard of instruction at the 408 private schools that offer high school diploma credits, at 100 of these schools it noted significant concerns, many of which related to credit integrity, meaning whether a student actually earns the credits granted toward his or her grade 12 diploma. For the 605 elementary and non-credit-granting secondary schools, education officers perform a brief visit to new schools, but there is no process in place to ever visit these schools again. In addition to academic concerns, this poses the risk that some private schools may be operating unlicensed child-care centres. According to ministry information, there may be more than 15,000 children in private schools below compulsory school age, with as many as 3,000 below the age for junior kindergarten.

Our other significant observations include the following:

- All private schools are required to submit a notice that they intend to operate in the coming year. For new schools the Ministry conducts a brief validation visit to check the information submitted and confirm that the school meets the legal definition of a private school. During these visits the Ministry does not evaluate the curriculum for either quality or content; does not check for any health and safety issues, or have a process in place to inform other oversight agencies of any concerns observed; and, in contrast to its practice with public schools, does not ensure that criminal record checks are performed on private school operators, teachers or staff. Except for this one-time visit, the Ministry provides almost no oversight of private elementary schools or secondary schools that do not offer high school credits.
- Given the limitations of the validation process, private schools are not permitted to state that the Ministry has approved their academic program. However, we identified several cases where private schools were advertising that their programs had been accredited by the Ministry. Parents, students and the public could be misled into thinking that the Ministry ensures some level of education quality at these schools. We also found several examples of entities advertising what appeared to be private school services without being registered with the Ministry. The Ministry does not have procedures in place to proactively identify unregistered schools that are operating illegally.
- Ministry data indicates that 235 private schools ceased operations over the last five school years (2007/08–2011/12), often as a result of declining enrolment or financial problems. Private schools are not required to demonstrate that they are financially viable operations. Closures during the school year could put students at risk academically and their parents at risk financially. In addition, closed schools must forward student records to the Ministry to ensure that essential information on students is preserved, but fewer than half the schools we sampled had done so.
- In Ontario, anyone who cares for more than five children under the age of 10 must be licensed under the *Day Nurseries Act*. The Ministry allows private schools registered before June 1993 to operate child-care facilities without a licence. In contrast to licensed daycare, there is no limit to the number of children of any age that private school staff can oversee, there are no fire safety requirements, and private school staff are not required to possess any child-care qualifications. The Ministry inspects licensed child-care facilities annually. However, after their first month of operations, the Ministry may never visit private elementary schools again.
- The Ministry inspects the standard of instruction in the 408 private schools that offer credits toward the OSSD. About 100 of these schools are inspected more frequently than the others because of issues that may indicate credit integrity concerns. For example, it

was brought to the Ministry's attention that some private schools were issuing students higher grades than earned or giving credit for courses that students had not attended. The Ministry has developed additional procedures to investigate such practices, but many inspectors informed us that they did not have sufficient time to perform these supplementary procedures.

- Approximately 250 private schools had still not submitted the required information on their students for the 2011/12 school year by June 2013, a full year after the school year had ended. For data that is submitted, the Ministry has no process in place to verify its accuracy and relies on the good faith of private school administrators. For the public school system, the Ministry analyzes such data to determine if students are receiving satisfactory instruction and progressing academically. However, the Ministry has not done any such analysis for private school students.
- The Ministry has exclusive authority to grant the OSSD. To help prevent diploma fraud and ensure control over blank diplomas pre-signed by the Minister of Education, the Ministry reconciles public schools' requests for diplomas to grade 12 student enrolments. However, this procedure has not been applied to private schools. In fact, the Ministry provided thousands of diplomas to private schools without identifying for whom these diplomas were intended. For example, for the 2011/12 school year, 30 private schools were issued a total of 1,500 more diplomas than their grade 12 student populations, and 50 other private schools were issued 2,300 diplomas even though they had not submitted any student enrolment data by June 2013.
- The Ministry informed us that it has not sought prosecution for any offence under the *Education Act* against any private schools or individuals associated with these schools. It stated that enforcing compliance through penalties is not economical, as legal costs to find someone guilty outweigh the fines that would be collected. For example, a private school that does not submit the required statistical information, on conviction, is liable to a fine of not more than $200.
- The Education Quality and Accountability Office (EQAO) helps to ensure satisfactory instruction by testing all students in the public school system at grades 3, 6 and 9. Some private schools participate in EQAO testing, and all private school students pursuing an OSSD must write the EQAO's Ontario Secondary School Literacy Test (OSSLT). We reviewed EQAO test results and noted that a greater percentage of public school students achieved the provincial standard than private school students. In addition, in 2012, 82% of public school students passed the OSSLT on the first attempt, compared to 73% of private school students. The results for a sample of these private schools varied considerably, from an overall school pass rate of 19% to 100%. The Ministry does not analyze such EQAO results to determine if students in private schools are receiving satisfactory instruction.

OVERALL MINISTRY RESPONSE

We agree with the recommendations of the Auditor General and have given thorough consideration to their implementation. To support a foundation of a fair, productive and socially cohesive society, the Ministry of Education's three priority goals are high levels of student achievement, reduced gaps in student achievement and increased public confidence in public education.

The Ministry acknowledges the right of parents and students to choose a source of education outside the publicly funded system, whether for religious, cultural or other reasons. This audit report states that approximately 110,000 students attend private schools in

Ontario, representing about 5% of the 2 million children attending publicly funded schools. The Ministry's resources are deliberately focused on ensuring that high-quality, publicly funded education is available to every Ontario student. However, the Ministry will take appropriate steps to expand initiatives to provide information regarding consumer awareness about the private school sector.

Private schools in Ontario operate outside the publicly funded education system as independent businesses or non-profit organizations, and unlike those in many other provinces, they receive no public funding or financial assistance. The *Education Act* does not provide the Ministry with oversight and monitoring responsibilities with respect to the day-to-day operations of private schools. However, the Ministry inspects private secondary schools that wish to offer credits toward the Ontario Secondary School Diploma.

Detailed Audit Observations

ESTABLISHING AND MAINTAINING STATUS AS A PRIVATE SCHOOL

The *Education Act* (Act) requires all private schools to submit a notice of intention to operate to the Ministry of Education by the first of September each year. The Ministry prescribes the form and content of this notice and requests information such as the school's name and contact information, its principal and its owners, its hours of operation, its projected and actual enrolment, any religious affiliations, any memberships in private school associations, and whether the school intends to offer Ontario secondary school diploma credits in the coming school year.

The Ministry has also established seven general requirements for private schools: control over the content of the program or courses of study; control of the quality of instruction and evaluation of student achievement; a principal in charge of the school; a common school-wide evaluation policy; a common procedure for reporting to parents; a common school-wide attendance policy; and a central office to maintain student records.

Validating New Private Schools

When the Ministry receives a notice of intention to operate a new private school, an education officer conducts an unannounced validation visit within the first month of the school's operation. This visit is to verify that the information contained in the notice of intention form is correct, that the school meets the legal definition of a private school and that the Ministry's general requirements for a private school are in place. If a private school meets these validation requirements, the school principal is so informed and the education officer will recommend the school for registration. The school's name will then be added on the Ministry's website to the list of private schools currently operating in Ontario.

Over the past three years, the Ministry has received notices from 275 prospective private schools and has registered 190. The Ministry has not tracked the reasons for which the remaining 85 were not registered. We reviewed a sample of ministry records for these schools and found that either they could not meet the enrolment requirement of five students or they notified the Ministry during the validation visit that they did not plan to operate in the current school year and were no longer seeking authority to register.

We reviewed a sample of validation reports for schools that were registered and discussed the process with several education officers. We noted that, although education officers complete a standard validation report template that typically asks questions requiring "yes" or "no" responses, they generally do not retain supporting documentation from their visits or record their procedures. We found that, to ensure a prospective school meets the statutory definition of a private school, education officers count the number of students present and verify their ages against registration information to ensure that the school has five students of compulsory school age. To confirm that schools are open during the legislated hours of operation, education officers review timetables and conduct their validation visits between 9:00 a.m. and 4:00 p.m.

The validation process also requires education officers to determine if there is evidence that the general requirements for a private school are present. However, there are no criteria or specific procedures in place to guide them in their assessment of these requirements. We were informed that education officers simply search for evidence that the general requirements exist, but they do not evaluate how effectively these requirements have been implemented. For example, one of the general requirements is "control of content of the program or courses of study." The Ministry has defined this requirement for secondary schools offering high school credits as the delivery of the Ontario curriculum but, for non-credit-granting schools, the Ministry has defined "control of content of the program or courses of study" as a full-day day-school program. To verify that non-credit-granting schools have met this requirement, some education officers inquire into what programs are being taught, while others review the school's textbooks. Education officers noted that a validation visit takes from as little as 30 minutes to half a working day, and all the officers we interviewed stated that, at private elementary schools and secondary schools that do not offer diploma credits, they do not evaluate the curriculum for either quality or content.

In contrast to Ontario, to varying degrees, many private schools in other Canadian provinces are required to follow an approved curriculum. All Quebec private schools must adhere to the curriculum established by the province's ministry of education. In Manitoba, private schools do not need to follow the provincial curriculum, but they must deliver the same standard of education that is provided in a public school. In Newfoundland and Labrador, the minister of education prescribes or approves the courses offered in private schools. In Prince Edward Island, private school programs of study must be approved by the minister, and no private school can change its program of study without the minister's prior written approval.

Other provinces in Canada also require their education ministries to specifically review health and safety conditions. For example, British Columbia private schools must maintain adequate educational facilities, and Manitoba inspectors annually ensure that the space chosen for a private school is suitable for teaching and learning, has passed a building and fire inspection, and meets all health regulations. In Prince Edward Island, a private school must provide the education department with evidence that it meets the health, fire and safety standards established by the province. There are no similar legislative requirements for private schools in Ontario, although some other provinces base funding to private schools on adherence to provincial guidelines for curriculum, teacher qualifications, health and safety, and other requirements.

In Ontario, education officers noted that during validation visits they sometimes identify health and safety concerns such as inadequate washroom facilities, a lack of fire exits or classrooms that appear too small for the number of students being taught. However, these schools are still recommended for registration and are allowed to operate, since the education officers stated that they do not have the authority to deny registration of a private school based on health and safety issues. Furthermore, although education officers may inform private school principals of any major health and safety concerns observed, there is no formal process in place to document these concerns or to inform oversight agencies such as public health, the fire department or children's aid societies. In addition, at publicly funded schools in Ontario, for the purpose of ensuring students' safety, all teachers, staff and service providers who come in contact with students must undergo a criminal background check. Education officers are not required to ensure that a criminal background check has been performed on private school operators, principals, teachers or staff as there is no legislative requirement for private schools to perform such checks.

Notice of Intention to Operate Existing Private Schools

The Ministry issues the same notice of intention form for new and existing schools and requests the same information, including the number of students enrolled and the hours of operation. Although we found that all the schools we sampled had a valid notice of intention form on file, the Ministry does not perform a validation visit or otherwise confirm that the information submitted by existing private schools is correct. This information is self-reported by the school and the Ministry accepts it if the school declares, for example, that it has at least the five students required to meet the definition of a private school. In fact, as long as a private school continues to submit notice of intention forms, its name will continue to be published on the Ministry's website listing of private schools currently operating in Ontario.

The Ministry performs inspection visits to the 408 secondary schools that offer high school credits and may observe, for example, that the required minimum of five students are enrolled. However, education officers do not specifically verify the information recorded on the notice of intention forms during inspections. According to ministry records, 85% of the 605 elementary and non-credit-granting secondary schools began operations before 2010, with the majority of these schools established more than 10 years ago. We selected a sample of these schools and confirmed that they had not been visited by the Ministry since their establishment. Education officers confirmed that they are not required to, and have not, revalidated any private schools, as the Ministry does not have a policy to revalidate the information submitted on the notice of intention forms. Furthermore, subsequent to the first year of operations, the Ministry does not verify that the general requirements for a private school are present, and non-credit-granting schools are not required to provide any information on how they continue to meet these requirements.

Prior to September 2012, the notice of intention form required private schools to submit only their projected enrolment for the coming school year. This self-reported information was not sufficient to ensure that private schools met the statutory definition of having at least five students, because actual enrolment may in fact have been less. In September 2012, the Ministry began to request that the notice of intention form include the actual enrolment for the previous year in addition to the projected enrolment.

The Ministry also requires private schools to submit student information to be input into its Ontario School Information System (OnSIS). We reviewed data collected through OnSIS and found that several schools reported actual enrolment of fewer than five students, with one school reporting fewer than five students for six consecutive years. We selected a sample of these schools and found that the enrolment reported in OnSIS did not correspond to enrolment reported on the notice of intention form for any of the samples selected. For example, one school reported having an actual student enrolment of 20 students on its notice of intention form but reported only one student through OnSIS. Education officers do not have access to OnSIS information and therefore cannot identify and follow up on such discrepancies. The Ministry stated that schools with fewer than five students are allowed to operate but are given notice that their enrolment has declined below the minimum required by the Act and that they are in jeopardy of losing their status as private schools. However, the Ministry could not provide us with a list of which schools had been so informed or evidence that it has revoked the registration of any schools that did not meet the legislated minimum of five students.

Private Schools with More Than One Location

The notice of intention requires a private school to provide data for only its primary location. As a result, several private schools are operating additional locations that are undocumented by the Ministry. In 2010, a one-time request was sent to private schools requesting information on any locations in addition to the schools' main sites. Through this exercise, 117 private schools reported that they were operating at 180 additional locations. The Ministry had no previous knowledge of the existence of many of them. Eighty-seven of these locations were offering diploma credits. Since this information was self-reported by private schools without any validation or verification by the Ministry, there is the potential that even more private schools are operating at additional locations without the Ministry's knowledge.

One private school that was authorized to grant credits was operating a second location that had not been previously inspected by the Ministry. When the Ministry was made aware of this location an inspection was conducted. The Ministry identified several compliance issues at the second location, including assessment and evaluation practices that were not based on ministry policy. These issues were not identified as concerns at the school's main site. As a result, the Ministry denied the second location the authority to grant credits.

Although some private schools have subsequently submitted additional notices of intention for each location, at the time of our audit the Ministry had not taken any formal action with regard to the additional locations identified in 2010, had not implemented an action plan to validate all of these previously unknown locations, and had not inspected the 87 locations that offered credits toward a diploma. The Ministry informed us that it will begin requesting that private schools list additional locations on the 2013/14 notice of intention forms.

Private School Closures

The Ministry has indicated that a school could lose its status as a private school if it does not meet the definition of a private school, submit a notice of intention form by the stated deadline or submit the required statistical information. Ministry data indicates that 235 schools have ceased operations and lost their status as private schools over the last five school years (2007/08–2011/12). The Ministry does not track the reasons for which private schools close, but we found that in the majority of cases sampled, schools closed before the Ministry had discovered that they were no longer in operation. Many schools were deemed closed by the Ministry because they had not submitted their annual notice of intention form by the required deadline. Other schools were identified as being closed when an education officer attempted to perform an inspection but discovered that the school was no longer operating. Only in very few cases did private schools notify the Ministry of their intent to cease operations. In most cases where information was available in the Ministry's files, the schools had indicated that they had ceased operations due to declining enrolment and financial problems.

Financial information is not required to be submitted with the notice of information form, and private schools are not required to demonstrate that they will be financially viable operations. Schools that close during the year could put students at risk academically and their parents at risk financially. In contrast, students in Ontario's private career colleges are protected financially and academically, as every college is required by legislation to prove it is financially viable and is required to deposit money into a fund to help its students find alternative programs in the event the college ceases operations.

Private schools that cease operations must forward student records to the Ministry to ensure that essential information on their students is preserved. Although the Ministry sends letters to private schools that have closed informing them of this obligation, it does not perform any additional follow-up if the closed school does not forward student files or does not respond to the letter. We selected a sample of schools that were identified as being closed and determined that fewer than half of these schools had forwarded student records to the Ministry.

Program Advertising and Unregistered Private Schools

Private schools are not permitted to claim that the Ministry has approved or accredited their academic program. However, the Ministry does not have a process in place to ensure that private schools are complying with these advertising guidelines. Through Internet searches, we identified several cases where private schools listed on the Ministry's website were advertising that their programs had been accredited by the Ministry. Parents, students and the public could be misled into thinking that the Ministry has evaluated and approved the curriculum of private schools whose names are listed. This is especially a concern for elementary schools and secondary schools that do not offer credits toward the high school diploma, as the Ministry does not evaluate or approve any aspect of the curriculum being taught at these schools. The Ministry recognizes that the annual submission of a notice of intention form provides little accountability and assurance that a school is providing quality education, and notes on its website that private schools operate independently and that their inclusion on the site is not an endorsement of the schools. The site, in a buyer beware fashion, cautions parents to perform due diligence before entering into any contract with a private school. However, the Ministry does not have a link on its website to easily access this caution or any other information related to private schools.

Over the last three years, the Ministry has issued nine cease and desist letters to organizations for false advertising or for claiming to be private schools when they were not registered with the Ministry. All of these cases were identified through complaints made to the Ministry by members of the public. We found several more examples of entities advertising what appeared to be private school services. These entities were once known to the Ministry, as they were either formerly registered private schools that were no longer submitting notices of intention to operate, or prospective private schools that had not completed the validation process. The Ministry does not have procedures in place to proactively identify private schools that are operating illegally.

RECOMMENDATION 1

To help ensure that private school students receive satisfactory instruction in a safe and healthy environment and to ensure compliance with ministry policy and legislation, the Ministry of Education (Ministry) should:

- enhance the notice of intention and validation processes to require private schools to demonstrate that their students are receiving satisfactory instruction;
- notify the appropriate authorities of any health and safety concerns observed during onsite school visits;
- revalidate private schools annually or on a cyclical basis to ensure that information provided is correct and to revoke the authority to operate for those schools that do not meet the definition of and general requirements of a private school;
- provide education officers with access to the Ontario School Information System to, for example, reconcile and validate enrolment;
- identify all private school locations and verify that all locations comply with ministry policy and legislation;
- ensure that closed schools forward all student records to the Ministry as required; and
- develop a process to proactively identify schools that are not complying with the advertising guidelines or are operating illegally without being registered.

MINISTRY RESPONSE

The Ministry agrees that students should receive instruction in a safe and healthy environment, and will assess options to ensure that private schools with credit-granting authority document compliance with provincial health and safety legislation, and options to empower education officers to notify the appropriate authorities of any suspected violations of health and safety laws.

The Ministry will continue to expand and refine the collection and analysis of data received from private schools through the annual *Notice of Intention to Operate a Private School* form, and the use of this information during the validation and inspection processes. The form has been updated for the current 2013/2014 school year, requiring private schools to provide information regarding any educational programs being operated at "campus" locations other than the main school site. This is part of the Ministry's policy to eliminate the operation of campus locations by private schools with credit-granting authority, effective September 2014. In addition, the Ministry has directed education officers to inspect any additional locations of private schools with credit-granting authority identified through this form.

The Ministry is working to develop a profile for each private school with credit-granting authority in Ontario, as a tool to provide education officers conducting inspections with data collected through the Ontario School Information System.

The Ministry maintains a list on its public website of all private schools currently operating in Ontario, including information regarding a school's credit-granting authority. The Ministry will review the public website content with a view to increasing consumer awareness and will continue to take appropriate steps to expand initiatives to provide information to parents and students regarding the choice to pursue private education.

PRIVATE SCHOOLS WITH DAY NURSERIES

In Ontario, any facility that cares for more than five children under the age of 10 who are not of common parentage must be licensed by the Ministry under the *Day Nurseries Act*. The *Day Nurseries Act* also states that a day nursery is not a private school as defined in the *Education Act*, which defines a private school as an institution at which instruction is provided to five or more pupils who are of compulsory school age (5 years, 8 months to age 18). The Ministry requires newer private schools that enroll five or more children under junior kindergarten age (3 years, 8 months) to be licensed under the *Day Nurseries Act*. However, pursuant to a policy issued by the Ministry of Education and the Ministry of Community and Social Services, private schools offering services to children under junior kindergarten age at the time the policy took effect (June 1993) would be allowed to continue offering those services without a licence. The Ministry could not provide us with an accurate number of preschool children in private schools.

The *Day Nurseries Act* requires licensed daycares to comply with a comprehensive list of standards for the health, safety and developmental needs of children. For example, daycare staff can oversee only a limited number of children, with more staff required for younger children; the local fire chief must approve fire evacuation plans; and supervisory staff must hold a diploma in early childhood education. In contrast, there is no limit to the number of children of any age that private school staff can oversee, there are no fire safety requirements, and private school staff are not required to possess any qualifications. Such a disparity in requirements may give private schools a significant economic advantage over licensed child-care providers while exposing preschool children to greater risk.

Based on ministry information, there are more than 15,000 children in private schools below compulsory school age, with at least 3,000 of these children below the junior kindergarten age of three years and eight months. In addition, there are over 350 private schools that could claim to be exempt from compliance with the *Day Nurseries Act*. However, the Ministry is not aware of all the private schools that operate child-care facilities without a licence and, except during validation visits in their first year of operations, the Ministry does not visit private elementary schools. In contrast, in accordance with the *Day Nurseries Act,* the Ministry inspects all licensed child-care facilities annually. The Ministry could face significant liability if anything untoward happens to a private school child who should have been afforded the protections of the *Day Nurseries Act*.

The following example illustrates a school that operated a daycare centre for at least five years without any oversight from the Ministry. In 2012, the Ministry received a complaint from a municipal health department regarding child-care practices at a private school. Upon investigation, the Ministry learned that the owner of a school that was in existence before 1993 had been submitting notice of intention forms to the Ministry even though the school was no longer in operation. In exchange for payment, this owner continued to submit the old private school's information on behalf of an unlicensed daycare operation that was at a different location, with different owners. This was done to take advantage of private school exemptions from the *Day Nurseries Act*. The Ministry informed the daycare's owners that they would require a day nursery licence if they continued to operate.

RECOMMENDATION 2

To reduce health and safety risks to preschool children and ensure compliance with legislation, the Ministry of Education (Ministry) should identify all private schools that operate child-care facilities and ensure that these schools are licensed under the *Day Nurseries Act* and inspected as required by legislation.

MINISTRY RESPONSE

As part of its work on modernizing child care, the Ministry is planning a policy change to direct that all private schools serving children under junior kindergarten age must be licensed under the *Day Nurseries Act*. The Ministry also intends to introduce new legislation that, if passed, would replace the *Day Nurseries Act*. The proposed bill would clearly outline which programs require a child-care licence and which are exempt, including provisions supporting the direction that private schools serving children under junior kindergarten age require a child-care licence. This would be supported by communications to all private schools in Ontario and a transition period for operators to become licensed.

The Ministry will continue assessing options to identify private schools offering services that should be licensed under the *Day Nurseries Act*, and withdrawing the policy exemption from the *Day Nurseries Act* for private schools offering services to children under junior kindergarten age. The Ministry will also continue its practice of investigating complaints regarding private schools offering services that may need a licence under the *Day Nurseries Act*, and identifying such schools from information received through the annual *Notice of Intention to Operate a Private School* form.

DIPLOMA PROGRAM INSPECTIONS

Subsection 16(7) of the *Education Act* (Act), Inspection on Request, states that the Ministry may inspect the standard of instruction in a private school in the subjects leading to the Ontario secondary school diploma (OSSD). These OSSD program inspections are limited to a review of the school's operations related to the delivery of high school credits and are only to be undertaken at the request of the private school. The Ministry charges a fee to perform program inspections, and private schools will not be given the authority to grant diploma credits without a ministry inspection. The purpose of inspections is to determine whether the standard of instruction in courses leading to the OSSD is being delivered in compliance with ministry requirements, including the provincial curriculum.

Subsection 16(6) of the Act gives the Ministry the authority, at its discretion, to inspect all private schools, but the Ministry does not have a general inspection process in place and generally does not inspect any private schools under this provision of the Act. Although the Ministry will conduct program inspections at schools that offer high school credits, elementary schools are not inspected by the Ministry for any aspect of their operations, and neither are secondary schools that do not offer diploma credits. In contrast, an annual inspection process for all private schools is in place in several other provinces, such as Manitoba, Saskatchewan and British Columbia. These inspections include not only an assessment of program delivery but also a review of the facilities to ensure the health and safety of students.

There are 408 private schools in Ontario authorized to offer credits toward a high school diploma, a number that has grown by more than 25% over the past five years. In the 2012/13 school year, the Ministry performed about 260 program inspections. This inspection process is based on evidence gathered through the review of pre-inspection materials such as course calendars and school timetables; on-site discussion with the principal and other school staff; observations during classroom visits; reviews of students' work; examination of school policies and procedures; and an examination of school records. To assess if private schools are in compliance with ministry policies, education officers are required to complete an inspection template that contains standard questions to be answered for each inspection and complete an inspection report detailing their findings on the school's compliance with ministry requirements.

Program Inspection Selection Process

The Ministry inspects private schools that offer credits toward the high school diploma on a cyclical basis, generally once every two years. However, if an inspection determines that a school's operations are significantly non-compliant with ministry policies, potentially affecting the integrity of the diploma credits being issued, an education officer may recommend more frequent inspections. We reviewed a sample of inspection reports of such schools and noted that there was limited rationale on file as to why the schools were recommended for more frequent visits. Nevertheless, approximately 100 schools were identified to be inspected again the following year rather than in two years' time, and five schools were recommended to be inspected twice annually. In other words, significant concerns were identified in over 25% of the schools offering high school credits.

Given the number of schools with concerns noted by education officers, in September 2012 the Ministry established risk management criteria to identify priority schools to be inspected earlier in the year or more frequently: these are schools that have significant unresolved issues related to credit integrity, are in their first year of operation or are considered "at-risk" schools outside the inspection cycle. Criteria related to credit integrity include failing to provide 110 instructional hours per course; granting equivalent credits to students from non-recognized out-of-country institutions; having a principal with a limited understanding of curriculum requirements; and confirmed credit integrity complaints. Regional office teams were to collectively review each inspector's school inspection priorities to ensure that the risk management criteria were applied consistently. In the 2011/12 school year, each region was asked to identify up to 12 priority schools. That year, the regions identified 27 priority schools, and 66 priority schools were identified in 2012/13.

We reviewed the process used to identify priority schools at the three regions we visited and determined that although all the regions stated that they used the risk management criteria to determine priority schools, only one of these regions had documented its assessments. The other two regions stated that they held informal meetings and could not provide us with any evidence to support their discussions or the conclusions reached. Furthermore, none of the three regions we visited had performed a region-wide analysis to assess the risk at all schools or rank schools against one another, therefore potentially not identifying all high-risk schools for more frequent inspections.

Inspecting Existing Credit-granting Schools

We reviewed a sample of inspection files to assess the quality of the inspections undertaken by education officers. Many of the files we selected did not include supporting documentation or note the activities performed in order for us to assess whether education officers were following consistent inspection procedures based on the risks identified. For example, the Ontario Student Record (OSR) is an ongoing record of a student's educational progress. Education officers are expected to examine a minimum of 10 OSRs and complete a checklist for each OSR examined to determine if private schools have policies and procedures for the establishment, maintenance, use, retention, transfer and disposal of student records. Although education officers in the regions we visited stated that they review 10 OSRs during an inspection, in the majority of the inspection files we selected we were unable to confirm this as there was no record of this review and the OSR checklists were not on file.

Another procedure performed by education officers is to visit five to seven classrooms for approximately 20 to 30 minutes each to review daily lesson plans and ensure that submitted course outlines correspond with the instruction observed. The classroom visits also require education officers to sample student assessments and classroom work, as well as check student attendance. Although education officers stated that they visited the suggested number of classrooms and performed additional procedures to check whether curriculum expectations were being delivered, we noted that there was no documented evidence to support the number of classrooms visited or the duration of the visits in approximately two-thirds of the samples reviewed. In general, education officers did not sufficiently document their inspection activities and decision-making. As a result, we could not assess how well education officers were complying with the Ministry's requirements. These officers informed us that although most of them had been principals, vice-principals or teachers and therefore brought their educational expertise to the inspection process, and that they attended regular professional development meetings, they would welcome formal training in inspection and investigative practice.

We also noted that private school teachers are not required to be certified by the Ontario College of Teachers. Furthermore, private school owners, principals and teachers are not required to meet any minimum qualifications or demonstrate that they have obtained the OSSD or similar qualifications, either individually or collectively. Therefore, individuals providing instruction toward a high school diploma may not have obtained this certificate themselves. Some education officers noted that it is difficult to discuss ministry policies with respect to the delivery of the Ontario curriculum with individuals who do not have teaching qualifications, as there is a significant knowledge gap. Our review of practices in other jurisdictions found that many provinces (Quebec, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Saskatchewan) require teachers who deliver provincial curriculums at private schools to be certified teachers.

Inspecting Specific Risk Areas

The ministry guideline *Inspection Requirements for Private Schools Granting Secondary School Credits* (IRPS) sets out the policies that govern the inspection of private schools and summarizes the Ontario curriculum and ministry policies related to the delivery of credits. To assess compliance, education officers complete an inspection template based on IRPS. However, we identified several areas where the Ministry's inspection template did not sufficiently address important risk areas such as ensuring that credits granted are earned, that sufficient credits are accumulated for a diploma and that online school programs meet ministry standards. Even though the Ministry had developed or communicated additional procedures to address these risk areas, in many of the inspections we sampled there was insufficient evidence that inspectors had implemented these procedures satisfactorily. Some of these risk areas are as follows:

- The public, school boards and other stakeholders have raised concerns over some private schools either giving students higher grades than they had earned or giving students credit for courses that they did not attend or complete any course work in. The Ministry receives such complaints either directly from stakeholders or from the general public through its website. It responds to general complaints within 15 business days and specifically tracks and investigates complaints related to credit integrity. Over the past three years, the Ministry has received approximately 140 complaints related to credit integrity, and on occasion has revoked credit-granting authority for schools that grant credits inappropriately. Although the Ministry has discussed procedures that education officers could perform during an inspection to proactively uncover these activities, the inspection template does not include specific procedures to help identify schools that violate ministry policy in this regard. Some education officers said they perform supplementary procedures like comparing students' work to their grades, but we saw very little supporting evidence or documentation to verify that such procedures were being performed. Other education officers noted that there was not enough time to perform additional procedures that were not part of the inspection template.
- The private school inspection process does not include procedures for education officers to confirm that students have met diploma requirements. Some of the education officers we interviewed stated that they would perform additional procedures, not contained in the inspection template, to ensure that students who had been issued diplomas had met the Ministry's requirements. These procedures included verifying that students had completed the 18 compulsory and 30 total credits; passed the Ontario Secondary School Literacy Test; and performed 40 hours of community service. The officers who performed additional procedures would do so to varying degrees of thoroughness, from doing a quick scan to examining one to 12 student records. However, there was very little supporting evidence to assess how thoroughly education officers were performing these additional procedures. One education officer identified a case where a private school student was awarded a diploma but had not completed the minimum 30 credits.
- Although 24 online private schools are authorized to grant credits toward a high school diploma, the inspection process does not ensure that the practices at online schools meet the standards identified in the Ministry's curriculum and policies. For example, education officers have difficulty verifying that students have completed the required 110 hours for full-credit courses, because some student activities are performed offline. Accordingly, in September 2012 the Ministry created a checklist to assist education officers in performing supplementary procedures when inspecting online schools. These procedures include reviewing student learning logs that document both online and offline activities in order to ensure that the required hours have been completed.

Although some of the education officers stated that they use the checklist when inspecting online schools, we did not see any completed checklists in the inspection files we reviewed.

Inspecting New Credit-granting Schools

Over the last three years, approximately 85 new schools have been authorized by the Ministry to grant credits toward the high school diploma. The Ministry permits new schools that have enrolled at least five students and been validated to deliver instruction toward diploma courses before they are given authority to grant these credits to students. The schools are officially authorized to grant credits when they have successfully passed an inspection.

We reviewed a sample of inspection reports of new schools and found that there were cases of significant non-compliance but the schools were still authorized by the Ministry to issue credits. These compliance issues included situations where curriculum expectations were not always evident in the classroom; it was not evident that student achievement was based on curriculum expectations; and there was no documentation to indicate that the mandatory 110 credit hours had been scheduled. The education officers made follow-up visits to these new schools to assess whether the schools had resolved the concerns identified. In one case we sampled, almost all the compliance issues identified during the inspection continued to exist at the time of the follow-up visit. However, this school was still permitted to grant diploma credits.

We were informed that over the past five years only one new school has been denied credit-granting authority. One education officer stated that officers are expected to work with new schools to help move them into compliance. Another inspector told us that officers have to give new private schools the opportunity to improve before making the decision to deny credit-granting authority. The Ministry noted that its practice is to provide schools with an opportunity to address some non-compliance issues within a specified time frame, rather than proceeding directly to the removal of credit-granting authority.

Following Up on Non-compliance with Ministry Policy

During the inspection process, an education officer may determine that a private school with credit-granting authority is not complying with ministry policies to an extent that could affect the integrity of the credits issued by the school. These concerns are to be communicated to the private school's principal, who is supposed to prepare an action plan to address any significant non-compliance. A follow-up inspection is then to be performed to ensure that any issues identified have been corrected.

We reviewed a sample of inspection reports and noted that the majority had some concerns in relation to compliance with ministry policies, with about one-third of the reports identifying non-compliance at a level that could potentially affect the integrity of credits issued by the school. Among these concerns were the following: there was a lack of evidence that the required 110 hours of instruction were being scheduled and delivered; the expectations set out in the curriculum were not evident in the classroom; no Prior Learning Assessment and Recognition (PLAR) procedures were in place to ensure that the knowledge students obtained outside Ontario meets the expectations of the provincial curriculum; and the required PLAR forms were not on file to support awarding equivalent credits.

We noted that education officers at times made follow-up visits after an inspection to verify that the concerns they had noted had been rectified. Through discussions with education officers, we learned that compliance issues corrected by the time of the follow-up visit are generally not documented on the inspection report. Furthermore, since the Ministry does not usually obtain action plans from private schools indicating how non-compliance will be rectified, there is limited evidence that many of the compliance issues identified ever existed. Consequently, inspectors would have to rely on their memories to assess recurring compliance issues, and a record of these issues would not be available for management review or for future inspectors.

Where no follow-up visits were scheduled, we found that the Ministry generally did not provide deadlines to private schools to resolve compliance issues. Where concerns were noted, the Ministry provided schools with the opportunity to correct them by the next inspection cycle, which could occur up to two years after the non-compliance had been identified. In our sample, we noted a private school that was granting PLAR equivalencies toward the high school diploma that was not following the proper assessment procedures to justify awarding the credits. The Ministry identifies violation of PLAR procedures as a significant risk factor that affects credit integrity. However, the private school was given two years until its next inspection to demonstrate that it had corrected this problem.

Since 2004, the Ministry has revoked the credit-granting authority of 23 schools. The Ministry has developed procedural guidelines for revocation of credit-granting authority, but there are no guiding principles to assist education officers in determining the degree of non-compliance that would lead to credit-granting authority being denied. As a result, the recommendation to revoke credit-granting authority is based on the judgment of individual education officers, which could lead to inconsistencies. Some education officers we interviewed stated that minimum compliance standards need to be defined and more detailed policies and procedures put in place to assist in determining when to revoke credit-granting authority.

Although regional managers review inspection reports for completeness, we noted that there is limited review to ensure that inspections are adequate and that the recommendation that a private school be authorized to grant credits toward the diploma is appropriate. For example, since education officers generally do not retain supporting documentation from inspections or document their procedures, managers are unable to assess the procedures performed or the recommendations to award credit-granting authority. Furthermore, we noted that there is limited management oversight over the follow-up of compliance issues identified during an inspection.

Public School Students Taking Diploma Courses at Private Schools

In 2009 concerns were expressed in the education sector and among the public that some students who were registered primarily at publicly funded schools were taking courses at private schools to obtain higher marks in order to gain an advantage in university admissions and scholarship applications. In response to this concern, the Ministry requested that public schools flag student transcripts with a "P" notation on courses taken by their students at private schools. We reviewed the "P" notation information reported by public schools for 2010/11 and 2011/12 and noted that for each of these academic years, approximately 6,000 courses were taken by public school students at private schools, with two-thirds of these courses being at the grade 12 level.

We contacted several universities, the Ontario Universities' Application Centre and the Ontario College Application Service. Many of those we spoke to stated that the "P" notation is not well understood and that they accept credits issued by private schools at face value, since these schools pass ministry inspections and are given credit-granting authority. Consequently, it is assumed that courses are being delivered properly.

Program Inspection Revenue

To oversee the private school sector, the Ministry spends approximately $225,000 for head office staff and approximately $575,000 for education officers. Private schools must pay a fee to cover the cost of ministry inspections. Prior to 2009, inspection fees were based on the number of students enrolled at each private school and ranged from $800 for schools with fewer than 100 students to $1,100 for schools with over 400 students. The Ministry now charges a flat fee per inspection. This fee has been steadily increasing, from $1,100 in 2009/10 to $2,450 in 2012/13, and the Ministry plans to increase the fee to $4,050 over the next few years to recover the full cost of each year's inspections by 2014/15. For the 2011/12 school year, the Ministry charged private schools approximately $425,000 for inspections and, with the exception of a few schools that closed, the vast majority of private schools paid their inspection fees on a timely basis.

RECOMMENDATION 3

To ensure that adequate policies and procedures are in place to verify that credit-granting private schools are awarding course credits and diplomas in compliance with ministry policies, including the provincial grade 9 to 12 curriculum, the Ministry of Education (Ministry) should:

- use its established criteria to assess the risk of non-compliance so that it can rank all credit-granting schools and devise an inspection frequency schedule according to the risks identified;
- document procedures undertaken, significant non-compliance observed and conclusions reached during inspections, and retain all documentation for management oversight and subsequent review;
- consider a conditional rating for new private schools that are not yet fully compliant;
- review whether the "P" notation on public school student transcripts is influencing post-secondary admission decisions as intended; and
- establish effective procedures to identify, track and take timely corrective action against private schools that are repeatedly non-compliant with ministry policies.

MINISTRY RESPONSE

The Ministry agrees that the protection of credit integrity in the granting of credits and diplomas is a critical function of the private school inspection process, and will continue to review and assess policies and procedures in this area. The Ministry has implemented a risk-based procedure to identify priority schools requiring early inspection, and continues to determine the frequency of inspections through the inspection process. The Ministry is reviewing the documentation, tracking and follow-up aspects of the inspection process to look for ways to improve the effectiveness of its monitoring activities.

The Ministry will evaluate options regarding private schools that are persistently non-compliant with legislative and policy requirements.

REQUIRED DATA SUBMISSIONS AND REPORTING

Section 16 of the *Education Act* states that private schools are to provide statistical information regarding student enrolment, staff, courses of study and other information as and when required by the Ministry. Elementary schools and secondary schools that do not offer diploma credits are required to submit only their aggregate student enrolment for the year, while secondary schools that offer diploma credits must provide specific information, including credits taken and grades achieved, for each student registered. This information is to be submitted three times a year through the Ministry's Ontario School Information System (OnSIS), a web-based application that integrates school, student, educator and course data.

Data collection for private schools was to be fully implemented in the 2006/07 academic year. However, the Ministry is having significant difficulty in obtaining all the required information from all private schools in a timely manner. As of June 2013, the Ministry still had not received the required data from approximately 10% of schools for the 2010/11 academic year and 25% of schools for the 2011/12 school year. All student-specific data for the 2011/12 academic year should have been finalized by September 2012. However, by

June 2013, one year after the school year ended, approximately 100 secondary schools offering diploma credits and 150 elementary and secondary schools that do not offer credits still had not submitted any information to the Ministry.

For the information submitted, the Ministry does not have a process in place to assess its accuracy and relies on the good faith of private school administrators. Also, since the education officers are not given access to data collected through OnSIS, they cannot assess the information reported about students in private schools, such as courses taken, grades received and credits granted. Additionally, since the Ministry does not revalidate, inspect or visit elementary schools and secondary schools that do not offer diploma credits, the annual student enrolment reported by these schools is also not verified. Therefore, the Ministry accepts the student enrolment numbers submitted by private schools and publicly reports this information without ensuring its accuracy.

Ontario's public schools submit similar information to that requested from private schools, for which the Ministry has implemented a rigorous verification process. The Ministry uses data collected through OnSIS to make informed policy decisions for the public schools based on graduation rates, course pass rates and student credit accumulation. This information is used to help ensure that students in the public school sector are progressing and receiving satisfactory instruction. However, the Ministry has not done any such analysis of the data received from private schools. In order for data to be useful for analysis, it must be complete and accurate, and it must be submitted on a timely basis. With private school information, the Ministry is facing significant challenges in all three of these areas.

OnSIS requires that all students be assigned an Ontario Education Number (OEN), which is a unique identification number that enables the recording of student-specific information as well as each student's progress through the educational system. The number also facilitates the collection and analysis of data about Ontario's education system in general. Private secondary schools that offer high school credits must assign an OEN to every student pursuing a diploma, but the 605 private elementary schools and secondary schools that do not offer diploma credits are not required to assign OENs to their students.

To ensure that students of compulsory school age are being educated, OnSIS requires every student who has been assigned an OEN to be accounted for somewhere in the education system. Without this identifying number, students at private elementary schools and secondary schools that do not offer credits are not accounted for. The Ministry does not have student-specific information to verify that all children in the province who are not in the public system are being educated in institutions such as private schools, and therefore cannot demonstrate that all children are in compliance with the legislated requirement for compulsory school attendance. Providing all children in both the public and the private education system with an Ontario Education Number would help ensure that all students of compulsory school age are receiving an education.

RECOMMENDATION 4

To help ensure that sufficient information is submitted to enable effective oversight of the private school sector and to ensure compliance with legislation and related policies, the Ministry of Education (Ministry) should:

- consider various options to encourage private schools to submit the required information on a timely basis;
- implement procedures to periodically verify the accuracy of the data submitted by private schools;
- analyze data received to highlight potential concerns and to determine if private school students are progressing appropriately; and
- consider assigning Ontario Education Numbers to all private school students to help verify compulsory school attendance.

MINISTRY RESPONSE

The Ministry agrees that the collection of timely and accurate information is required for effective oversight and monitoring, as well as for evidence-based decision-making and policy development, and will continue working to improve processes for data collection and analysis. The Ministry will continue to provide resource materials, help-desk support and training to assist private schools in completing their required submissions. The Ministry will extend the data quality assurance processes in place for publicly funded schools to the data collected from private schools. This five-pillar approach includes consistency, completeness, accuracy, precision and timeliness.

The Ministry will use the private school profile under development and conduct trend analysis to track achievement for students attending private schools and their progress through the education system, including comparisons to other private-school and public-school peers across the province.

The *Notice of Intention to Operate a Private School* form has been updated for the current 2013/2014 school year to require private schools to declare whether or not they have provided the statistical information required by the *Education Act*, noting that failure to do so may result in a fine upon conviction and the revocation of the ministry-issued school identification number required to operate.

The Ministry will also consider options regarding the issuance of Ontario Education Numbers to all private school students. This number is currently issued to all students in publicly funded schools and private schools with credit-granting authority, and to students in private schools that do not grant credits but choose to issue Ontario Education Numbers. The Ministry will inform those private schools not currently issuing Ontario Education Numbers of the process to apply for access to the online Ontario Education Number application.

ISSUING BLANK DIPLOMAS AND CERTIFICATES

The Ministry has exclusive power in Ontario over diplomas and certificates that are granted to pupils and the conditions under which they are granted. The OSSD is awarded to students who have demonstrated that they have successfully completed the Ministry's diploma requirements. The Ministry has authorized 408 private secondary schools to issue credits toward high school diplomas. Blank diplomas, pre-signed by the Minister of Education, are the same for both public and private school students. The school types the student's name on the blank diploma, and the diploma is dated and signed by the school principal.

To help prevent diploma fraud and ensure control over the number of blank diplomas provided, any public school request in excess of 10% above the previous year's grade 12 student enrolment is rejected. However, this procedure has not been applied to private schools. In the 2011/12 school year, private schools requested a total of about 16,000 blank diplomas from the Ministry. The Ministry has not been able to demonstrate adequate oversight over the diploma distribution process and, as a result, has issued thousands of diplomas without identifying for whom these diplomas were intended. We noted that other jurisdictions have additional control measures such as dual or multiple signatures and embossed or official seals, and in Alberta each diploma is uniquely numbered.

Private schools submit requests to the Ministry each year identifying the number of diplomas needed for their graduating class. However, the Ministry has not been comparing the number of graduating students to the number of diplomas requested. We compared the student enrolment reported in OnSIS to the number of diplomas requested and issued to private schools for the past three academic years. We noted, for example, that in 2011/12, 30 private schools were issued a total of 1,500 diplomas in excess of their entire grade 12 student populations.

We also noted that the Ministry is issuing diplomas to private schools that are not submitting enrolment figures. The Ministry informed the schools that the grade 12 enrolment reported in a private school's October OnSIS submission would be used to assess the reasonableness of diploma requests for that academic year, as is done with public schools. However, over 175 credit-granting private schools had not submitted their 2011/12 student enrolment information by the end of the school year, but were still issued the diplomas they requested. Additionally, we noted that at the completion of our audit in June 2013, over 50 of these schools had still not submitted the required data. In total, these 50 schools had received over 2,300 diplomas from the Ministry without having to demonstrate that they had any graduating students.

We also reviewed the Ministry's distribution of blank Ontario scholar certificates. An Ontario scholar certificate is intended to be awarded to high-achieving students who obtain at least an 80% average. The blank certificates are signed and sealed by the Minister of Education. We observed that 50 schools requested a total of 3,350 Ontario scholar certificates and an equal number of OSSDs, suggesting that all of their graduates would achieve an 80% average.

Education officers inspect private schools that offer credits at least once every two years. We noted that during their inspections the officers do not reconcile diplomas or certificates requested to the number of graduating students. The Ministry has recognized that private schools have been receiving more diplomas than required. As a result, in October 2012 the Ministry requested that private schools return unused or damaged diplomas. At the completion of our audit, about 700 diplomas had been returned.

RECOMMENDATION 5

To help ensure that Ontario secondary school diplomas and Ontario scholar certificates are issued only when they are earned and that adequate controls are in place over their distribution, the Ministry of Education (Ministry) should:

- reconcile the number of diplomas and certificates requested to the number of graduating students reported at each private school, and investigate any unreasonable discrepancies; and
- distribute diplomas and certificates to only those private schools that submit student-specific data for graduating students.

MINISTRY RESPONSE

The Ministry agrees that proper restrictions are required for ministry documents certifying student achievement and will continue with two recent policy initiatives to tighten control. The first policy, already in effect, is to reject and investigate orders for diplomas and certificates from private schools with more than 5% above their reported grade 12 enrolment. The second policy, which will begin in the 2014/2015 school year, is to not send diplomas and certificates automatically to private schools with credit-granting authority if they have not submitted the required statistical data. Instead, the Ministry will investigate and determine the appropriate follow-up action, which may include an adjustment or even denial of the school's request.

The Ministry is also developing a private school profile document to provide education officers with current, school-specific information from OnSIS, including a comparison of the number of graduates with the number of diplomas and certificates ordered.

POLICY AND LEGISLATIVE ENFORCEMENT

Section 16 of the *Education Act* (Act) outlines a number of requirements for private schools and stipulates penalties for non-compliance with these requirements. This section was passed in 1962 and has not changed significantly since that time. In the 1970s, penalty amounts were marginally increased. Currently, the penalties outlined in the Act are a fine of $50 a day for every person managing a private school without a notice of intention; as much as $200 for the person in charge of a school who has not provided statistical information to the Ministry within 60 days of the request; and up to $500 for every person who knowingly makes a false statement on a notice of intention form or information return. However, according to the Act, an individual or school must be convicted of these offences before any fines can be imposed. The Ministry has stated that as a result of this requirement, enforcement is not fiscally responsible, as legal costs of pursuing a conviction far outweigh the fines that might be collected. As a result, the Ministry informed us that it has not sought prosecution for any offence committed by any private schools or individuals associated with these schools.

In contrast to private school fines, penalties for non-compliance by private career colleges in Ontario can be significant. The *Private Career Colleges Act* outlines that the purpose of penalties is to encourage compliance with that act and with orders to restrain from contravening the act, and to prevent a person from deriving any economic benefit as a result of a contravention of the act. We reviewed the penalty structure for private career colleges in Ontario and noted that some penalties do not require successful prosecution to impose. For example, the Superintendent of Private Career Colleges can levy an administrative penalty of $1,000 on a private career college for non-compliance without going to court, and can quadruple this penalty if the college repeatedly offends within three years. In addition to administrative penalties, private career college fines can be substantial. For example, whereas Ontario private schools can be fined $500 for submitting false information, the same offence at an Ontario private career college can result in a fine of up to $50,000 and one year in jail for an individual and $250,000 for a corporation.

RECOMMENDATION 6

To better ensure compliance with the *Education Act* and policies related to private schools, the Ministry of Education (Ministry) should consider a legislative framework that would provide more flexible and cost-effective enforcement tools that are commensurate with the nature and extent of non-compliance.

MINISTRY RESPONSE

The Ministry will continue to take appropriate steps to expand initiatives to provide information to parents and students regarding consumer awareness in the private school sector. Regarding issues of enforcement, the assessment of options will be commensurate with the Ministry's definition of its role in this sector, and will in turn recognize the differences between the role taken by Ontario's Ministry of Education and that of education ministries in other provinces.

TESTING OF PRIVATE SCHOOL STUDENTS

The *Education Act* requires all children of compulsory school age to attend a public elementary or secondary school on every school day unless they are receiving satisfactory instruction elsewhere. The Ministry inspects private schools that offer high school credits but does not have any process in place to ensure that satisfactory instruction is being provided to students attending elementary private schools or secondary private schools that do not offer diploma credits. In fact, we compared ministry oversight to that in other Canadian provinces and found that Ontario has one of the least regulated private school sectors in Canada.

The Education Quality and Accountability Office (EQAO) helps to ensure satisfactory instruction by testing all students at various grades in the publicly funded school system. The EQAO administers standardized tests to measure student achievement against curriculum expectations in grades 3 and 6 for reading, writing and mathematics; grade 9 for mathematics; and grade 10 for the Ontario Secondary School Literacy Test (OSSLT). Some private school students participate in the grade 3, 6 and 9 EQAO assessments, although they are not required to do so. However, an OSSD requirement for both public and private school students is the successful completion of the OSSLT. EQAO test results for both public and private schools participating in the OSSLT are publicly reported, but only for schools with a minimum number of students, in order to ensure student confidentiality.

All private schools can participate in the grade 3, 6 and 9 EQAO tests but must pay for their students to take these assessments. Only private schools that offer high school credits leading to the OSSD are eligible to participate in the OSSLT, and there is no charge to take this test. Participation in EQAO tests can be seen as a proactive measure by some private schools to be more accountable, as these assessments can be used by both the schools and parents to periodically assess the progress of their students in relation to their public school peers. In the 2011/12 school year, 112 private schools participated in the grade 3 and 6 assessments, and 18 participated in the grade 9 assessment. All private schools that are approved to offer high school credits that have eligible students participate in OSSLT testing.

We reviewed the EQAO grade 3, 6 and 9 assessments for 2010, 2011 and 2012 of participating private schools and noted that although individual private school results varied significantly, a greater percentage of public school students achieved the provincial standard than private school students. As well, for the same three years, among students writing the OSSLT for the first time, public school students outperformed private school students. In 2012, 82% of public school students passed the OSSLT compared to 73% of private school students. We reviewed a sample of private school OSSLT results and found that the outcomes for these schools varied considerably, from well below the provincial average to excellent, with pass rates ranging from 19% to 100%.

The purpose of education is to provide students with the opportunity to realize their potential and develop into highly skilled, knowledgeable citizens who contribute to society. The Ministry does not have processes in place, such as an analysis of EQAO test results, to assess whether private school students are acquiring these skills and knowledge. Furthermore, since EQAO testing is not mandatory, such analysis cannot be undertaken for the private school sector as a whole. We noted that such testing, while often paid for by the province, is mandatory for private schools in several other Canadian jurisdictions, such as British Columbia, Alberta, Saskatchewan, Manitoba, and Newfoundland and Labrador.

RECOMMENDATION 7

To help ensure that private school students receive satisfactory instruction and are provided with the opportunity to realize their potential and develop into highly skilled, knowledgeable citizens, the Ministry of Education (Ministry) should:

- consider options to increase private school participation in standardized testing; and
- analyze test results for private school students and follow up on any outcomes that suggest these students are not receiving a quality education.

MINISTRY RESPONSE

The Ministry will assess options to require private schools with credit-granting authority to participate in the grade 9 assessment of mathematics conducted by the Education Quality and Accountability Office. The Ministry will explore options to develop data collection processes and will analyze private school pass rates for the Ontario Secondary School Literacy Test annually to identify issues related to private school student achievement and to determine appropriate responses.

Ministry of Natural Resources

Section 3.07 Provincial Parks

Background

Ontario has 334 provincial parks covering over 8.2 million hectares, an area roughly the size of New Brunswick and Prince Edward Island combined. The *Provincial Parks and Conservation Reserves Act, 2006* (Act) governs the development, operation and management of these provincial parks as well as Ontario's conservation reserves. The purpose of the Act is to permanently protect a system of provincial parks and conservation reserves that contain significant elements of Ontario's natural and cultural heritage and provide opportunities for ecologically sustainable recreation. The Ministry of Natural Resources (Ministry) is responsible for establishing, operating and managing provincial parks in accordance with the Act.

About a third of the province's parks are operating parks; these provide recreational opportunities such as day-use areas and overnight and interior camping. Operating parks have staff on site and contain visitor centres, museums, park stores, and other services and facilities. In the 2012/13 fiscal year, operating parks attracted over 9 million visitors. Non-operating parks, while still accessible to the public, have no staff on site and offer only limited facilities.

At the time of our audit, Ontario's provincial parks were divided among six zones for the purposes of operation and management (Figure 1). Most provincial parks in southern Ontario operate from the second weekend in May until mid-October. Most parks in Northern Ontario open on the Victoria Day weekend and close just after Labour Day. There are, however, about 20 provincial parks scattered throughout the province that operate year-round.

The Ministry had approximately 235 full-time staff involved in the operation and management of provincial parks at the time of our audit. This staff was distributed between the Ministry's head office in Peterborough, the park zone offices and the operating parks. In addition to full-time staff, the Ministry uses approximately 600 seasonal staff and 1,600 students at operating parks during peak season each year.

The Act gives the Minister of Natural Resources the authority to set fees for the use of provincial parks or any facilities or services offered within the parks. To help meet park operating expenses, the Ministry charges such fees in the 114 operating parks. The fees depend on the activities (for example, skiing, hiking, swimming, boating, wildlife viewing) and amenities available. Fees are not charged in most non-operating parks. In the 2012/13 fiscal year, provincial parks generated

Figure 1: Provincial Parks by Park Zone (as of March 2013) and Operating Status

Source of data: Ministry of Natural Resources

	Non-operating		Operating		Total Operating and Non-operating		
Park Zone (Zone Office)	**#**	**Area (hectares)**	**#**	**Area (hectares)**	**#**	**Area (hectares)**	**% of Total Park Area**
Northwest (Thunder Bay)	77	1,868,489	18	1,864,419	**95**	**3,732,908**	**45.3**
Northeast (Sudbury)	75	2,883,243	36	670,819	**111**	**3,554,062**	**43.1**
Algonquin (Whitney)	2	2,040	1	772,300	**3**	**774,340**	**9.4**
Central (Huntsville)	32	57,519	20	29,332	**52**	**86,851**	**1.0**
Southeast (Kingston)	13	7,576	21	63,558	**34**	**71,134**	**0.9**
Southwest (London)	21	9,733	18	10,888	**39**	**20,621**	**0.3**
Total	**220**	**4,828,600**	**114**	**3,411,316**	**334**	**8,239,916**	**100.0**

Note: On April 1, 2013, the Ministry eliminated the Central zone. Following this, a number of parks were reallocated among the five remaining zones.

about $69 million in revenues. Operating expenses, including head office expenses, totalled about $80 million. Historically, revenues generated by user fees paid by visitors have covered over 80% of the parks' operating costs, with the province making up the difference. Expenditures related to the planning and protection of the park system (for example, costs associated with park research and monitoring) are funded solely by the province. The province also funds park infrastructure such as washroom and shower facilities, visitor centres, water and sewage systems, and other capital requirements.

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry had adequate systems, policies and procedures in place to manage provincial parks cost-effectively and in compliance with legislation and ministry policies, and to reliably measure and report on its performance. Senior management at the Ministry reviewed and agreed to our objective and associated criteria.

Our audit work was conducted at the Ministry's head office and three of the six zone offices where we interviewed staff and reviewed pertinent documents. We also visited six provincial parks that were located in these three zones.

We engaged an ecologist with expertise in the field of environmental management to review ministry policies and a sample of management directions for specific parks, and to provide us with an opinion on whether the policies and directions meet the requirements of the Act and adequately protect these parks.

We met with the Chair of the Ontario Parks Board, established in 1997 as an advisory committee to the Minister of Natural Resources, and staff at the Office of the Environmental Commissioner of Ontario to obtain their perspectives on the province's park system. We also researched park operations and management practices in other jurisdictions and met with officials at Alberta Parks and Parks Canada to identify best practices that may be applicable in Ontario.

Summary

Over the last 10 years, provincial parks have grown in both number and size. The *Provincial Parks and Conservation Reserves Act, 2006* (Act), which governs the management of provincial parks, expanded the requirements for ensuring that the natural values within the parks are protected. The growth of the provincial park system, combined with the expanded responsibilities contained in the Act, has challenged the Ministry's ability within its funded resources to meet its legislated mandate to protect Ontario's park system and provide opportunities for ecologically sustainable recreation. Currently, the Ministry risks falling further behind in meeting its mandate, specifically:

- The Act states that maintaining ecological integrity is the first priority in the management of provincial parks. It requires each park to have in place a management direction that provides policies for the protection, development and management of the significant resources and values within the park. At the time of our audit, the Ministry had reviewed just over half of the 334 directions in place and had concluded that 104 needed to be either amended or rewritten to reflect the intent of the new Act. Only half of these amendments and rewrites had been completed or were in progress. The ecologist we retained for this audit reviewed a sample of directions that the Ministry had deemed to be consistent with the intent of the Act, and concluded that none contained a clear statement that ecological integrity was the first priority in managing the park. In fact, every management direction reviewed noted significant damage to environmental conditions, but none put forward meaningful strategies or had been updated to address them.
- The Ministry's 2011 survey of park planners, ecologists, biologists and park superintendents confirmed that the Ministry lacked the baseline scientific data on the provincial park system that it requires to meet the rigorous standards of the Act. The survey revealed gaps in information with respect to the native biological components (plants, animals and other organisms), nonbiological components (such as geology and water) and processes (such as reproduction and population growth) in individual parks, and the pressures that affect them. In this regard, we noted that one ecologist aided by a seasonal assistant ecologist and a few park biologists may be responsible for conducting research and monitoring activities in anywhere from 20 to 50 provincial parks. In comparison, Parks Canada informed us that each park in the federal system has a science team composed of at least one park ecologist supported by a team of technicians, the size of which depends on the size of the park and the ecological issues being addressed. Parks Canada further supports these science teams with a team of senior ecosystem specialists, although it too has a backlog of work.
- Activities such as hunting and fishing are regulated in provincial parks, and the Act specifically prohibits activities such as commercial timber harvesting (except in Algonquin Park) and mining. However, due to constrained resources, significant portions of the operating parks (which provide a range of recreational activities), as well as the 220 non-operating parks that cover about half the area of Ontario's provincial park system, are subject to little or no enforcement. Park staff advised us that they are aware of violations regularly taking place, such as illegal hunting, boundary encroachments by adjacent landowners, waste dumping, and the cutting and removal of trees and plants. The province's Environmental Commissioner was critical of the Ministry recently when he said in a news release accompanying his 2012/13 Annual Report: "It appears that the Ministry of Natural Resources is walking away from many parts of its job to safeguard wildlife and natural resources. Important legal safeguards for provincial parks, species at risk, hunting, and Crown lands have been significantly weakened."

- A key objective of the Act is for provincial parks to provide ecologically sustainable outdoor recreation opportunities. On average, over each of the last 10 years, more than 9 million visits have been made to the 114 operating parks within the province. With respect to the operation and management of these parks, we noted the following:
  - The Ministry's minimum operating standards covering aspects of park operations such as waste management, sanitation, and cleaning and maintenance of facilities and grounds were established over 20 years ago. Visits have since increased by over 40%. When day-use visitors and campers were asked about how parks could be improved, better general maintenance and amenities were at the top of the list.
  - The Ministry's current backlog of desired capital asset expenditures within the provincial park system is significant. For instance, we estimated that assets such as buildings, roads, bridges, drinking-water systems and septic systems listed as being in "poor" or "defective" condition require over $590 million to replace. Since our last audit of the provincial parks in 2002, the backlog has increased by approximately $170 million. Without additional investments, it will continue to grow.
  - Although parks in southern and central Ontario often operate at capacity and have significantly more visitors than parks in other regions, the Ministry has not fully explored the possibility of increasing fees in the more popular parks in the south and lowering fees in less visited parks, mainly in the north, to increase visits and improve cost recovery.
- Another key objective of the Act is to provide opportunities for park visitors to increase their knowledge of Ontario's natural and cultural heritage. The Ministry arranges Natural Heritage Education (NHE) programs for visitors in 43 of the most visited parks. However, results of the most recent visitor survey conducted by the Ministry in 2011 indicated that the programs are underutilized and generally fail to meet visitors' expectations.
- The Act requires the Minister to publicly report, at least once every 10 years, on the state of the provincial park and conservation reserve systems. The Ministry released its first State of Ontario's Protected Areas Report in 2011. We noted that similar reports in other jurisdictions more fully reported on items such as the status of park management plans and the results of actions taken to meet objectives in the plans; threats to the parks and their impact; relationships with Aboriginal communities in planning and managing parks; and the condition of capital assets. Furthermore, the Ministry has established performance measures for only two of the Act's four objectives, and lacks benchmarks to evaluate its performance in maintaining ecological integrity and monitoring ecological change in the parks.

Currently, there are nearly 600 private cottage properties held under lease in two provincial parks. The term of the current leases is expected to end in 2017, and is under review. We noted that these lease payments are significantly below fair market value and should generate approximately $6.7 million more in revenue than the Ministry currently receives. In addition, the fees charged by the Ministry for providing services such as garbage collection and snow removal are also well below the Ministry's actual costs.

OVERALL MINISTRY RESPONSE

The Ministry of Natural Resources appreciates the Auditor General's recognition of the growth of the parks system and the expanded responsibilities under the *Provincial Parks and Conservation Reserves Act, 2006* (Act), and agrees that the sustainability of the parks system continues to be a fundamental priority. The Ministry is supportive of the recommendations made in this report and offers the following as context.

Protecting Ontario's parks system while providing opportunities for ecologically sustainable recreation are dual priorities for the Ministry. Beginning with the enactment of the Act in 2006, the Ministry has moved to a parks system model that emphasizes biodiversity and ecological integrity in managing and planning parks. As the largest provider of outdoor recreation in the province, the Ministry has made significant investments in parks facilities over the last 10 years, including investments in drinking-water systems, roads and other built infrastructure.

Since 2005, the Ministry has followed the National Quality Institute's Progressive Excellence Program, resulting in a number of initiatives designed to ensure the quality of the natural and cultural resources found in parks and protected areas across the province.

The Ministry published its first State of Ontario's Protected Areas Report (SOPAR) in 2011. SOPAR established benchmarks to measure future progress made by the provincial parks and conservation reserves programs and is intended to keep Ontarians up to date on provincial parks and conservation reserves.

The Ministry will continue to evaluate existing policies, processes and tools to ensure they remain applicable and relevant to its parks program.

Detailed Audit Observations

Over the last 10 years, provincial parks have grown in both number and size. In 2002, Ontario had 277 provincial parks covering about 7.1 million hectares. It now has 334 parks covering over 8 million hectares. In addition, the government passed the *Provincial Parks and Conservation Reserves Act, 2006* (Act), which laid out new requirements to ensure that the parks are adequately protected. The Act lists four objectives for provincial parks:

- to permanently protect ecosystems, biodiversity and significant elements of Ontario's natural and cultural heritage, and to manage these areas to ensure that ecological integrity is maintained;
- to provide opportunities for ecologically sustainable outdoor recreation and encourage associated economic benefits;
- to provide opportunities for the residents of Ontario to increase their knowledge of Ontario's natural and cultural heritage; and
- to facilitate scientific research to support monitoring of ecological change.

The growth of the park system, combined with the Ministry's expanded responsibilities under the revised legislation, has challenged the Ministry in meeting its mandate with respect to the management and operation of the park system. Currently, the Ministry risks falling further behind in meeting its mandate. We discuss this more fully below.

PARK PROTECTION

Ecological Integrity

A key objective of the Act is to permanently protect significant elements of Ontario's natural and cultural heritage by establishing and managing provincial parks. To this end, the Act makes the maintenance of ecological integrity its first priority. The Ministry considers ecological integrity within the park system to be maintained if native biological components (plants, animals and other organisms), nonbiological components (such as geology and water) and processes (such as reproduction and population growth) remain intact. According to the Act, the Ministry is also to consider restoring the parks' ecological integrity where necessary. In this regard, the Act and its accompanying *Ontario Protected Areas Planning*

Manual require the preparation of a management direction for each provincial park that provides policies for the protection, development and management of the significant resources and values within the park.

In June 2012, the Act was amended to require the Ministry to examine management directions that have been in place 20 years (previously 10 years) to determine if the directions need to be amended or replaced.

As seen in Figure 2, at the time of our audit, with the exception of five provincial parks established in 2011, all the parks had management directions in place. However, over 40% of the directions had not been amended for 20 years or longer.

At the time of our audit, the Ministry had reviewed 179 management directions to determine if these reflect the overall intent of the Act, and specifically whether the directions speak to the assessment, maintenance and restoration (where needed) of ecological integrity. The Ministry concluded that 26 management directions need to be amended and 78 need to be completely replaced. Our discussions with zone and park staff indicated that it takes, on average, five to 10 years to complete a management direction from the initial information-gathering phase to the final approval, with the review and approval process taking up about two-thirds of this time. At the time of our audit, only 52 of the 104 amendments and rewrites were in progress. The remaining 75 management directions were deemed by the Ministry to be consistent with the intent of the Act and required at most administrative changes.

The ecologist we retained reviewed a sample of directions that the Ministry had either updated or deemed to be consistent with the intent of the Act, to confirm whether these directions did indeed adequately consider the protection and restoration of the parks' ecological integrity. In addition, the ecologist reviewed a management direction from 1985 for one of the flagship parks in the system, which, at the time of our audit, the Ministry had just completed reviewing for compliance with the Act's current direction on ecological integrity.

The ecologist concluded that none of the directions reviewed contained a clear statement that ecological integrity was the first priority in managing the park it pertained to. The ecologist also found that the directions did not call for an assessment of the ecological condition of the parks and therefore could not be considered to meet the intent of the Act. In fact, every management direction reviewed noted significant damage to environmental conditions at the park it covered; however, none put forward any meaningful strategies to address them, specifically:

Figure 2: Age and Status of Current Management Directions

Source of data: Ministry of Natural Resources

	Total Approved Management Directions		Management Directions Reviewed Since Enactment of *Provincial Parks and Conservation Reserves Act, 2006*			
				Outcome of Review		
Age (Years)	**# of Management Directions**	**% of All Parks**	**Total # of Management Directions Reviewed**	**No Significant Changes Required**	**Amendment or Replacement Required**	**Amendment or Replacement Currently in Progress**
<5	12	4	**0**	0	0	0
5–9.9	87	26	**15**	9	6	3
10–19.9	90	27	**51**	19	32	22
20–29.9	131	39	**106**	45	61	24
>30	9	3	**7**	2	5	3
No management directions	5	1	**0**	0	0	0
Total	**334**	**100**	**179**	**75**	**104**	**52**

- A 2012 ministry review of a management direction from 1989 concluded that only an administrative update was required to make the direction compliant with the Act. However, the direction made few references to the natural features within the park, despite the availability of a considerable amount of information on them, mostly collected by universities and the federal government. The park has many endangered species, including snakes, birds and plants, but the direction did not contain strategies for protecting them. In fact, the ecologist noted that the species that were at risk were mentioned only in passing.
- In its 2010 review of another direction, which dated back to 1986, the Ministry again concluded that the direction complied with the Act and needed only an administrative update. However, the ecologist noted that it contained only an anecdotal assessment of the park's ecological condition and no plans to monitor natural changes. The direction cited red and white pine trees as the only significant natural value in the park and noted that many had died from the impact of recreational users of the park. Nevertheless, the direction did not contain a strategy to address this problem.
- A management direction recently approved for one park but awaiting release at the time of our audit did list ecological integrity as a priority and aimed to protect the park's rare features such as sensitive sand dunes and rare aquatic habitats. The direction acknowledged that recreational use had significantly impaired the park's main natural features. However, it provided no consideration to restoring these values or even establishing a program to monitor the impact of continued recreational use.
- The overall goal of the 1985 direction for one of the flagship parks in the system focused on recreation. It made little provision for nature conservation and had no plans to monitor and assess the natural conditions within the park. At the time of our audit, the Ministry had just completed reviewing this direction. The ecologist, consistent with the Ministry's assessment, concluded that this was an outdated plan that did not contain the current direction of maintaining or restoring ecological integrity, and that it needed to be replaced.

Research and Monitoring

The ecologist that we retained advised us that the maintenance and restoration of ecological integrity is a relatively new standard for protected area management and its adoption into legislation makes Ontario a global leader in this area. The fact that it has a more rigorous scientific basis than older management standards places significant responsibilities on the Ministry, requiring it to have the capability to develop the following:

- detailed inventories of significant values within provincial parks to assess their condition;
- an ecological monitoring system within the parks with defined indicators that track how an ecosystem is changing;
- scientifically based thresholds that define when an indicator is acceptable or when a critical condition is reached;
- the ability to define, conduct and assess ecological restoration projects; and
- a data management and reporting system to capture all required information.

The Ministry's 2011 survey of park planners, ecologists, biologists and park superintendents indicated that the Ministry lacked baseline scientific data on the provincial park system. The survey results revealed gaps in information with respect to native biological and nonbiological components and processes that exist in individual parks and the pressures that affect them. Our discussions with ministry staff during our visits to zone offices and parks confirmed this lack of research data.

Each park zone has only one full-time ecologist on staff. This ecologist, aided by a seasonal assistant ecologist and a few park biologists, is responsible for conducting research and monitoring activities in all the parks within the zone. Therefore, this one ecologist may be responsible for 20 to 50 provincial parks. As a comparison, Parks Canada informed us that each park in the federal system is assigned a science team composed of at least one park ecologist supported by a team of technicians; the size of the team depends on the size of the park and its ecological issues. Parks Canada further supports these science teams with another team of senior ecosystem scientists from the national office who specialize in areas such as species conservation, environmental assessment and ecological restoration. However, according to the November 2013 report issued by the interim Commissioner of the Environment and Sustainable Development, Parks Canada is still experiencing a backlog of work even with these resources.

Universities and environmental groups also apply to the Ministry to conduct research in the province's parks. Before the Ministry grants permission to these third parties, they must agree to share any data collected. However, ecologists in the zones that we visited informed us that time constraints often keep them from reviewing this data. Research requests are also often unrelated to the Ministry's needs. In contrast, Alberta Parks informed us that, to gain additional research capacity, it tries to leverage outside research efforts by identifying knowledge gaps within its park system and setting research priorities that it then communicates to potential researchers. Alberta Parks also attempts to provide partial funding to entice outside researchers to conduct research it deems worthwhile.

In 2009, the Ontario Parks Board, responsible for providing advice to the Minister on aspects of planning, managing and developing the provincial park system, put forward a number of recommendations regarding research in Ontario's provincial parks. One was to hire a full-time manager to review ministry policies surrounding research and existing zone research strategies. The Board also highlighted the need for new funding models to encourage research and monitoring in provincial parks. At the time of our audit, the Ministry had not addressed the Board's recommendations.

RECOMMENDATION 1

To help ensure that the maintenance and restoration (when necessary) of ecological integrity is the first priority in the planning and management of Ontario's provincial park system, as established by the *Provincial Parks and Conservation Reserves Act, 2006,* the Ministry of Natural Resources (Ministry) should:

- develop an overall strategy that includes partnering with the outside research community to ensure that sufficient baseline scientific data exists on native biological and nonbiological components and processes within the province's park system, and the pressures that affect these; and
- develop a plan to adequately monitor changes in ecosystems within the province's parks, conduct ecological restoration when the need to do so has been determined, and assess the results of such restoration.

MINISTRY RESPONSE

The Ministry agrees with the Auditor General's recommendation that an overall strategy should be developed to obtain the necessary baseline information on biodiversity (biological and nonbiological components, as well as ecological processes), as well as the pressures upon those values. In 2010, the Ministry conducted a research needs survey of protected area staff and managers to determine their priorities, and to develop products that can be used to help focus the research of our partners. In addition, the Ministry participates in a research consortium of academic institutions and other government bodies known as Centre for Applied Science in Ontario Protected Areas. The centre's mandate is to facilitate and transfer applied scientific research that enhances policy, program development and on-the-ground management of Ontario's protected areas.

The Ministry will review approaches to monitoring and reporting on pressures and changes to ecosystems within parks. Broader landscape-scale monitoring of ecosystem change will occur as maps, databases and ecosystem classifications are updated.

The Ministry has recently partnered with other Canadian protected area jurisdictions under the auspices of the Canadian Parks Council to develop a set of principles and guidelines for ecological restoration in protected areas. These guidelines can be applied where needed and where resources permit. Currently, restoration and resource management activities occur annually in the province's parks based on park and zone level priorities and within available resources. The Ministry will develop a more strategic approach to resource management planning, including ecological restoration.

Enforcement

The Act specifically states that provincial parks are dedicated to the people of Ontario and visitors for their inspiration, education, health, recreational enjoyment and other benefits, and that the parks are to be managed to leave them unimpaired for future generations. To this end, activities such as hunting and fishing are regulated in provincial parks, and the Act specifically prohibits activities such as commercial timber harvesting (except in Algonquin Park) and mining. Park wardens, who have the same authority as members of the Ontario Provincial Police within a provincial park, are responsible for enforcing legislation in provincial parks. In 2012, 360 seasonal park wardens on two- to six-month contracts were primarily responsible for carrying out enforcement activities in operating parks. The approximately 100 full-time park superintendents and assistant superintendents, in addition to their other responsibilities, are also designated park wardens.

Based on our discussions with park staff and our analysis of enforcement activities in the six parks we visited, we noted the following:

- In the parks we visited, the area patrolled by enforcement staff varied significantly, ranging from five square kilometres to 3,900 square kilometres and averaging about 700 square kilometres.
- Due to constrained resources, enforcement at operating parks is focused mainly on areas known to have heavy human traffic. These areas represent only a small portion of these parks. Therefore, significant portions of the operating parks, as well as all areas within the 220 non-operating parks that cover about 4.8 million hectares, or over half the area of Ontario's provincial park system, are subject to little or no enforcement presence.

Limited enforcement in provincial parks increases the risk that violations of the Act will go undetected. Although the Ministry has not assessed the full impact of this risk, park staff advised us that violations take place regularly in provincial parks as a result of a lack of enforcement. These violations include illegal hunting, boundary encroachments by adjacent landowners, waste dumping, and the cutting and removal of trees and plants.

We raised similar concerns with respect to the lack of enforcement in our *2002 Annual Report*. In response, the Ministry made a commitment to undertake a review of park enforcement and to develop a strategy for enforcement in non-operating parks based on the level of risk. While we found that the Ministry did in fact undertake a review and has developed a risk-based strategy for enforcement in non-operating parks, it has been unable to execute this strategy, as it lacks the additional enforcement resources to address the identified risks.

RECOMMENDATION 2

To help ensure that provincial park resources are adequately protected, the Ministry of Natural Resources (Ministry) should update its review of its risk-based enforcement strategy for parks and examine cost-effective strategies for addressing the identified risks.

MINISTRY RESPONSE

The Ministry agrees with the Auditor General's recommendation to review the risk-based enforcement strategy and examine cost-effective strategies for addressing risks. Since 2002, the Ministry has allocated additional resources to support custodial management needs in non-operating parks, which included new funding for additional staff dedicated to monitoring and enforcement. As a result, staff have visited over 150 non-operating parks to complete assessments. Ontario Parks also receives assistance from conservation officers to help address non-compliant activities in non-operating parks.

The Ministry has recently provided additional funds to implement a resource stewardship program to support monitoring activities in non-operating parks and in particular land management activities. This funding includes additional human resources to address concerns regarding non-compliant activities occurring in those parks.

The Ministry will regularly review the risk-based enforcement strategy for both operating and non-operating parks and update the strategy as new or changing regulatory requirements are introduced.

PARK OPERATIONS

Visits and Revenues

As noted earlier, one of the key objectives of the Act in establishing and managing provincial parks is to provide opportunities for ecologically sustainable outdoor recreation and encourage associated economic benefits. On average, each year over the last 10 years more than 9 million visits have been made to the 114 operating parks that provide recreational opportunities such as day-use areas and overnight and interior camping. Figure 3 shows the number of visits in 2012/13 by provincial park zone.

Park superintendents manage the 114 operating parks, supported by full-time, seasonal, student and volunteer staff who perform various functions such as managing park revenues and expenditures, maintaining park infrastructure, ensuring the safety of visitors, delivering natural heritage education programs and maintaining park facilities. In the 2012/13 fiscal year, the operating parks generated about $69 million in revenues. As Figure 4 indicates, camping and day-use services offered by parks, and the parks' merchandise and sales concessions generated over 90% of these revenues.

In 1996, the government established a business model that required operating parks to use revenues from park fees to fund their direct operating costs, in order to enhance financial self-sufficiency. On average, over the last five years more than 80% of park operating expenditures has been recovered through park fees. The government directly funds capital repairs and activities related to park planning, such as research and monitoring.

As shown in Figure 5, provincial parks located in the southern and central parts of Ontario, where the population is larger, are able to generate revenues greater than their operating costs. This helps

Figure 3: Operating Park Visits by Park Zone, 2012/13

Source of data: Ministry of Natural Resources

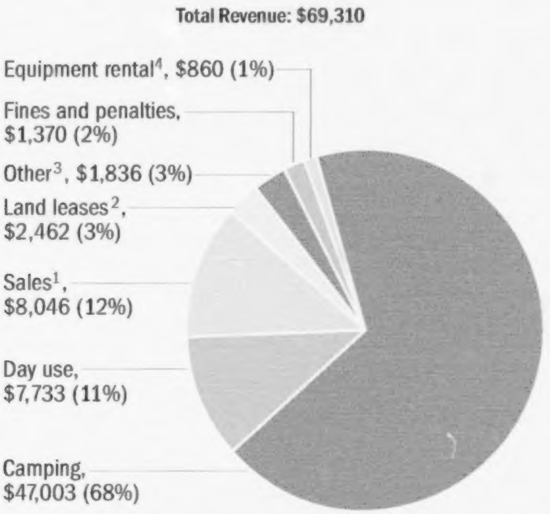
Park Zone	# of Operating Parks	# of Visits
Central	20	3,036,813
Southwest	18	2,061,244
Southeast	21	1,901,968
Algonquin	1	828,372
Northeast	36	749,663
Northwest	18	615,478
Total	**114**	**9,193,538**

to subsidize parks located in the north where visits tend to be fewer and a smaller percentage of the operating costs is recovered.

In September 2012, the Ministry announced that it was changing the designation of 10 parks (all but one of them located in Northern Ontario) from operating to non-operating, citing these parks' low visiting rates and inability to recover much of their operating costs through the limited revenues they generate. In changing the status of these 10 parks, the Ministry expected to save approximately $1.6 million in annual operating costs and $4.4 million in capital repairs. In January 2013, the Ministry retracted this decision for three Northern Ontario parks, stating that it would work with the affected municipalities to continue operating the parks with the goal of increasing their revenue and visiting rates. We reviewed statistics supporting the decision to keep the remaining seven parks closed and noted that these parks combined had averaged only about 70,000 visitors annually over the last four years, or less than 1% of the total number of annual visitors to all provincial parks combined. In addition, fees generated by these seven parks over the last four years on average recovered less than half of their operating costs, and capital repairs of approximately $2.5 million were expected to be needed. We therefore concluded that the Ministry, from its perspective, had valid financial reasons for changing the status of these parks from operating to non-operating.

Figure 4: Park Revenues by Source, 2012/13 ($ 000)

Source of data: Ministry of Natural Resources



1. Sales revenues include revenues from concessions, merchandise sales, vending, and sales of firewood and camping supplies.
2. Land lease revenues are from private cottage leases in Algonquin and Rondeau Provincial Parks.
3. "Other" includes revenues from donations, trailer storage, *Parks Guide* advertising, etc.
4. Equipment rental is rental of canoes, boats, skis, picnic shelters, barbecues, etc.

Park Fees

While we acknowledge that recovering park operating expenses is a worthwhile goal, we note that park fees in Ontario are already among the highest of any province in Canada, as indicated in Figure 6.

As seen earlier, parks located in the southern and central parts of Ontario, where the population is greater, are generally more popular and have significantly more visits than parks located in the northern parts of the province. Fees for day use and overnight camping differ according to the location and popularity of a park in addition to the activities (for example, skiing, hiking, swimming, boating, wildlife viewing) and amenities that the park has to offer. The Ministry has not fully explored how further varying provincial park fees based on popularity (increasing fees in parks that are currently operating at or near capacity and lowering fees in the less visited parks, mainly in the north) could affect visits and revenues, and hence cost recovery.

Figure 5: Cost Recovery by Park Zone, 2012/13

Source of data: Ministry of Natural Resources

Park Zone	Revenue ($ million)	Operating Costs ($ million)	Cost Recovery (%)
Southwest	18,052	14,993	120
Central	15,851	13,560	117
Southeast	14,328	12,896	111
Algonquin	10,485	10,071	104
Northeast	6,276	9,638	65
Northwest	3,972	6,960	57
Subtotal	**68,964**	**68,118**	
Head Office	346	12,600	
Total	**69,310**	**80,718**	**86**

Figure 6: Comparison of Ontario's Camping and Day-use Fees with Fees in Other Provinces ($)

Prepared by the Office of the Auditor General

	ON	BC	AB	MB	SK
Camping	31.36–48.31	11.00–30.00	5.00–23.00	11.55–28.35	13.00–26.00
Day use – vehicles	10.75–20.00	Free	Free	5.00	7.00

Note: Fees include all applicable taxes. Fees for camping and day use vary according to the facilities and services provided, and the popularity of the park.

RECOMMENDATION 3

To help increase overall visits to provincial parks, draw more visitors to underused parks and increase its revenue from the provincial park system, the Ministry of Natural Resources (Ministry)should assess the impact on visits and revenues that would result from reducing fees in the less visited parks and increasing fees in the more popular parks that are currently operating at or near capacity.

MINISTRY RESPONSE

The Ministry acknowledges the Auditor General's recommendation and will assess the current park fee structure as well as research the fee structures of other jurisdictions to consider their applicability within our program. A differential fee system is already in place that results in lower fees in Northern Ontario than in Southern Ontario. The Ministry implemented reduced fees in 2007/08 with limited success. Ontario Parks undertakes an annual review of its fees to determine which fees may require adjustment and measures customer reaction to fees through regular consumer research.

Operating Standards

The Ministry has established minimum operating standards covering, among other things, security and enforcement, waste management, sanitation, and cleaning and maintenance of buildings, facilities and grounds. For example, with respect to waste management, the Ministry's standards currently require central trash containers and day-use containers to be emptied twice a week during periods of high and moderate use, once a week during periods of low use, and as required during the off-season. Similarly, with respect to maintenance of facilities and grounds, the Ministry's operating standards require litter to be picked up twice a week in public areas during high-use periods and once a week during moderate-use periods.

While we found that the parks we visited met the Ministry's minimum operating standards, we noted that the standards were established over 20 years ago. Visits have since increased by over 40% and, therefore, the standards may no longer be appropriate. There is evidence that the current operating standards do not meet the expectations of many visitors.

The 2011 visitor survey conducted by the Ministry found that only 57% of day-use visitors were satisfied with the cleanliness of the washroom and shower facilities. The rating was higher among overnight campers, at 70%. Similarly, only 57% of day-use visitors were satisfied with the level of enforcement of park rules. Again, the rating among overnight campers was higher, at 77%. Overall, when day-use visitors and campers were asked how parks could be improved, better general maintenance and amenities were at the top of the list.

RECOMMENDATION 4

In light of the significant increase in visits to provincial parks since the Ministry of Natural Resources (Ministry) last set minimum operating standards for, among other things, security and enforcement, waste management, sanitation, and cleaning and maintenance of buildings, facilities and grounds, the Ministry should review and update its standards. In addition, the Ministry should continue to conduct visitor surveys and monitor the results to ensure that visitor expectations are met.

MINISTRY RESPONSE

The Ministry agrees with the recommendation and is in the process of revising the minimum operating standards. As a result of the level of use, many parks currently exceed these minimum standards; for example, some washrooms are cleaned three times per day rather than twice as stated in the standards. Some parks have enforcement coverage for 12, 14 or even 24 hours a day compared to the minimum standard of eight hours during the peak season.

The Ministry conducts park user surveys that have been a successful measure of customer feedback for over 30 years. We will continue to conduct the survey program on its current three-year cycle.

Capital Asset Management

Capital assets within the province's parks include buildings (for example, visitor centres, roofed accommodations, comfort stations, offices, maintenance buildings), machinery and equipment, drinking water systems, campsites, roads and trails, and bridges. In the 2011/12 fiscal year, the Ministry publicly reported the replacement value of the capital assets in Ontario's provincial parks to be $1.2 billion.

Each individual park is responsible for maintaining up-to-date information on its own assets within the Ministry's asset management system. In fact, ministry procedures require each park to verify the existence and condition of each asset listed in its asset management system every two years and update the system as required. The Ministry relies on the completeness and accuracy of the information in this system to make key management decisions, including how to allocate capital funding among parks. However, based on our discussions with staff in the zones and parks that we visited and our review of the parks' capital asset listings, we found the following:

- Park staff did not verify the existence and condition of assets listed in the Ministry's system as required in ministry procedures. In most cases, the asset condition listed was the same as the state of the asset when it was initially acquired and entered into the system. The Ministry's asset management system was also not updated regularly to reflect new or deleted assets.
- The value of the assets in the Ministry's asset management system had been significantly misstated. As a result of our inquiries, the Ministry significantly reduced the value of the assets in its asset management system after it discovered numerous recording errors. The errors were mainly a result of the inaccurate recording of pooled assets.

We also noted a significant current backlog of required capital asset expenditures in the Ministry's asset listings. Specifically, over one-third of the buildings and structures in the provincial park system were listed as being at, near the end of or beyond their service life. In its asset listings, the Ministry estimated the total cost to replace these buildings and structures to exceed $300 million.

Other assets, such as roads, bridges and septic systems, that were listed as being in "poor" or "defective" condition in the Ministry's listings had an estimated replacement cost that exceeded $280 million. Figure 7 lists some of these assets that, based on the assets' age, the Ministry has determined to be in "poor" or "defective" condition.

Also, at the time of our audit, 25 of the 181 drinking water systems in individual parks were on a "boil water" advisory. Eighteen of these advisories have been in place for nine years. The Ministry of

Figure 7: Park Assets Considered "Poor" or "Defective" by the Ministry Based on Their Age

Source of data: Ministry of Natural Resources

Asset Category/Type	Total # of Assets	Assets in "Poor" or "Defective" Condition		Estimated Cost to Replace ($ million)
		#	% of Total	
Small Machinery and Equipment	2,358	1,282	54	32.0
Sanitation Facilities				
Sewage lagoons	14	14	100	11.2
Septic systems	938	598	64	29.9
Infrastructure				
Bridges	53	48	91	36.0
Footbridges	130	77	59	2.3
Roads	2,000 km	1,400 km	70	84.0
Chain and wire fencing	98 km	85.4 km	87	6.2

Health's local Public Health Units had completed risk assessments and issued reports for 110 of the Ministry's 181 drinking water systems; after assessing these reports, the Ministry projected that 42 drinking water systems required improvement or replacement. The cost of the improvements and replacements was estimated to be about $11 million.

Since our last audit of provincial parks in 2002, the backlog of required capital asset expenditures has increased by approximately $170 million. In the 2012/13 fiscal year, the Ministry spent only $13 million on capital assets, and over the next five years the Ministry's spending on capital assets is expected to average only about $15 million annually. At this rate of spending, as existing assets continue to age, the Ministry's backlog of capital asset expenditures will continue to grow.

RECOMMENDATION 5

To ensure that park infrastructure is in a satisfactory state, the Ministry of Natural Resources (Ministry) should take action to correct infrastructure deficiencies already identified. The Ministry should also ensure that its asset management system contains accurate, complete and up-to-date information on the condition and value of the parks' capital assets.

MINISTRY RESPONSE

The health and safety of park staff and visitors are of paramount importance to the Ministry. The Ministry continues to ensure that any infrastructure deficiencies that may pose a threat to health and safety are corrected and will continue its ongoing efforts to restore the parks' infrastructure with available resources. The Ministry has invested over $100 million to improve more than 50 drinking water systems in Ontario parks since 2001 and has committed additional capital funds beginning with the 2013/14 fiscal year to continue to address high-priority projects, such as drinking water systems, and to increase park sustainability.

The Ministry accepts the Auditor General's finding regarding the asset management system and will undertake the development of a system that contains complete and accurate information on the condition and value of capital assets in each park. The Ministry is currently developing an updated asset management plan for Ontario parks and is working collaboratively with program areas to implement processes that support the plan.

Maintaining an accurate and up-to-date asset management system is a concern for many park programs across Canada. The Ministry is part of a broader Asset Management Working Group involving federal, provincial and territorial park jurisdictions to develop a comprehensive picture of the state of Canada's park assets. The group will also complete a jurisdictional scan to see what types of software-based asset management systems are in place.

NATURAL HERITAGE EDUCATION

As noted earlier, a key objective of the Act in establishing and managing parks is to provide opportunities for residents of Ontario and visitors to increase their knowledge of Ontario's natural and cultural heritage. Natural Heritage Education (NHE) is offered by the Ministry in 43 of the most-visited operating parks. NHE is designed to educate visitors on the natural and cultural heritage of the parks and their surrounding areas. The Ministry uses predominantly seasonal staff and students to present interpretive programs in these parks that include guided walks, children's programs, evening programs, night hikes and special-event weekends. An additional 64 parks provide self-use NHE activities in which education is carried out through signs, park tabloids and trail guides, but with no park staff to provide interpretive programs. In the 2012/13 fiscal year, the Ministry spent approximately $2.5 million on NHE programs and estimated that approximately 2.8 million visitors participated in an NHE program that year.

Ministry policies require an NHE plan to be prepared for each park zone. These zone plans are to be reviewed and updated every 10 years, or as new parks are established in the zones. In addition, individual NHE operating plans that provide direction for the NHE programs are to be prepared for each of the 43 parks that provide staff-led interpretive programs. These park operating plans are to be evaluated and updated annually. At the time of our audit, four of the six zones did not have an NHE plan, and the plan in one of the remaining two zones had not been reviewed in 20 years. In addition, of the 43 operating parks with interpretive NHE programs, only about half had an updated NHE operating plan in place.

The most recent visitor survey conducted by the Ministry in 2011 indicated that educational programs are underutilized, for example:

- only 8% of day visitors and 18% of overnight campers surveyed said that they had taken part in educational programs; and
- 35% of day visitors and 18% of overnight campers surveyed said they did not know the programs were available.

In 2011, the Ministry also conducted a strategic review of its NHE programs and found the following:

- There has been very little change in the types of interpretive programs offered over the last few decades. As a result, in some locations attendance in these programs has declined.
- Many parks with NHE programs did not have a comprehensive NHE plan, and many existing plans were very outdated.
- The NHE program collects quantitative data, such as the number of people attending an interpretive program, but very little qualitative data about the success and outcomes of the interpretive program. The trend toward having more students present NHE programs has also negatively affected the quality of the programs being delivered to the public.
- Smaller parks do not get the direction or attention needed from senior zone personnel to develop and present effective programs for the public.

At the time of our audit, the Ministry was in the process of implementing some changes to address concerns raised about its NHE program from its strategic review and visitor survey.

RECOMMENDATION 6

To ensure that Natural Heritage Education (NHE) programs meet visitor expectations and program objectives, the Ministry of Natural Resources (Ministry) should develop or update NHE plans in all zones and parks that offer NHE programs. The Ministry should ensure that the plans address the concerns that were noted in its 2011 strategic review of NHE programs.

MINISTRY RESPONSE

The Ministry agrees with the Auditor General's findings regarding the NHE program. Ontario Parks has the largest interpretive program in Canada. In 2011 the Ministry completed a strategic review of the program; recommendations included reviewing traditional interpretive programs, developing new methods for delivering effective interpretation, and demonstrating a stronger link between the NHE program and Ontario Parks objectives. The Ministry will continue to implement these recommendations.

The Ministry agrees with the Auditor General's finding that NHE plans should be developed for all zones and parks offering the program. Updated NHE plan guidelines and document templates to facilitate these plans will be prepared and distributed to the zones.

REPORTING

The Act requires the Minister to publicly report on the state of the provincial park and conservation reserve system at least every 10 years. The report should assess the extent to which the objectives of the provincial parks and conservation reserves set out in the Act are being achieved. It should also detail the number and size of the provincial parks and conservation reserves, their ecological health and any known threats to their ecological integrity, and the socio-economic benefits they provide. There is no requirement to limit the report to these broad areas, however.

The first State of Ontario's Protected Areas Report (SOPAR) was released by the Ministry in 2011. We reviewed the SOPAR and noted that it meets the minimum reporting requirements of the Act. However, when we compared the SOPAR with similar reports in other jurisdictions, we noted the following:

- The SOPAR provides an overview of the Ministry's management planning process for protected areas, but does not provide the status of management plans for individual parks. In comparison, Parks Canada and Parks Victoria in Australia both reported on the status of park management plans for all established parks within their jurisdictions, including the number of parks with completed plans and the age of existing plans. In 2008, Parks Canada started preparing a state of the park report for each park in the federal system. These reports highlight actions taken at individual parks and the results of those actions relative to key objectives in their management plans.
- The SOPAR provides only a general discussion of threats such as climate change, water and air pollution, invasive species and fire to the park system as a whole. It does not speak to specific threats and their impact on key values in individual parks. There is also no assessment in the SOPAR of the extent to which ecological integrity is being maintained in individual parks and in the park system, nor is there an assessment of areas in parks where ecological integrity needs to be restored. Parks Canada informed us that, in comparison, it established indicators that track changes in ecosystems within individual parks and thresholds that define when an indicator is acceptable or signifies a critical condition. Parks Canada reports discuss the current trend in these indicators.
- While reporting on the status of relationships with Aboriginal people is not a specific

requirement of the Act, we noted that other jurisdictions tended to report on their relationships with these communities in planning and managing their parks. For instance, Parks Canada reported on recent actions it had taken with respect to Aboriginal communities in five areas: building meaningful relationships, creating economic partnerships, increasing Aboriginal interpretation programs, enhancing employment opportunities and commemorating Aboriginal themes. Similarly, BC Parks reported on the number of collaborative management agreements with First Nations in British Columbia's protected areas; New South Wales in Australia reported on the state of Aboriginal cultural heritage in protected areas and the park system's role in protecting and promoting Aboriginal objectives, places and features of value. The SOPAR is silent on the state of the relationships between the Ministry and Aboriginal communities, even though they are significant stakeholders in Ontario's provincial park system.

- Unlike the SOPAR, some jurisdictions also reported on the condition of capital assets such as buildings, dams and bridges.

The Ministry has established performance measures for only two of the four objectives of the Act noted earlier. To gauge its performance in relation to the objective of permanently protecting ecosystems, the Ministry has established six classes of provincial parks in Ontario, with each class having specific purposes and permitted uses. Specific targets have been set for the number, size and distribution of some classes of parks throughout the province. For example, the Ministry's target is to establish wilderness-class parks of not less than 50,000 hectares and averaging at least 100,000 hectares in each of 14 predetermined sectors across the province. The Ministry has reported that it has been only 57% successful in meeting this target, which may not be a realistic one, especially in the southern part of the province where population density and lack of available land preclude establishing such large parks. In addition, the Ministry reported in the SOPAR that it has been 65% successful in achieving its plan to establish natural environment parks throughout the province. However, our analysis suggests that the Ministry has been only 48% successful.

Similarly, for the Act's objective of providing the population with opportunities for ecologically sustainable outdoor recreation, the Ministry has set a target of 1.3 day visits and 0.5 camping days per year by every individual living within a two- to three-hour travel radius of a provincial park. However, the Ministry does not track its success in meeting these targets. In addition, Ontario's population has grown by over 60% since these targets were established in 1978. The Ministry has not assessed whether the parks have the capacity to accommodate this number of visits in an ecologically sustainable manner, given the province's population growth.

The Ministry also has not established any benchmarks to evaluate its performance in meeting the Act's requirements to maintain ecological integrity in provincial parks, to provide residents with opportunities to increase their knowledge of Ontario's natural and cultural heritage, and to facilitate scientific research to support monitoring of ecological change in the parks.

RECOMMENDATION 7

The Ministry of Natural Resources (Ministry) should compare its State of Ontario's Protected Areas Report (SOPAR) with similar reports in other jurisdictions to identify and emulate best practices in reporting. The Ministry should also set appropriate benchmarks and collect the information it needs to assess its performance against all four legislated objectives for the effective management of Ontario's parks, and present the results in future reports.

MINISTRY RESPONSE

The Ministry acknowledges this recommendation and will build on the comparisons completed, and other best practices identified to date, when developing the next SOPAR, as it did during the development of its first SOPAR in 2011. The Ministry will consider the development of benchmarks as appropriate indicators through the process of completing the next SOPAR. As mandated by the *Provincial Parks and Conservation Reserves Act, 2006,* the role of the SOPAR is to report on the system of protected areas, rather than individually on Ontario's over 600 provincial parks and conservation reserves.

OTHER

Privately Leased Lands

Currently, there are nearly 600 private cottage properties held under lease in two provincial parks. These lease agreements were initially entered into in the late 1800s and the early 1900s. In 1954, the government enacted the *Provincial Parks Act,* which stipulated that no new leases were to be approved and existing leases were to be phased out as their terms expired. Nevertheless, the government continued to renew the leases. The term of the current leases is expected to end in 2017 and is under review. The existing leases permit leaseholders to sell the cottages on the leased land, with the leases then automatically transferring to the new owners. Over the last 10 years, there have been 10 such sales ranging from $60,000 to $500,000.

While the current Act does not allow the Minister to enter into new leases, it does allow the Minister to extend existing leases, providing that the extensions are consistent with all the requirements of the Act. In this regard, the Ministry had commissioned a study on the environmental and economic impact the cottages have had on the two parks, but at the time of our audit it had not yet received the results. Infrequent ministry inspections of these cottages indicate that some leaseholders have encroached on public park lands outside the boundaries of their leased areas.

The lease payments for the cottage properties typically range from $1,500 to $2,000 per year. In addition to the annual lease payments, each cottage owner pays an annual fee that typically ranges from $204 to $421 for services such as garbage removal. Further, the majority of owners do not pay municipal property taxes. In September 2012, the Ministry contracted a consulting firm to assess the net economic value of these leases. The consultant concluded that the private leaseholders were enjoying a benefit that was not available to other Ontarians, specifically:

- Revenue from the lease payments is significantly below fair market value. The consultant estimated that at fair market value, the lease payments should generate approximately $6.7 million more in revenue than the Ministry currently receives from the lease payments.
- The fee charged for services is also well below the Ministry's actual cost of providing these services. The Ministry collects approximately $182,000 annually in service fees, but incurs about $474,000 in actual costs.

RECOMMENDATION 8

The Ministry of Natural Resources (Ministry) should, once its study is complete, act to mitigate any negative environmental and economic impacts posed by private cottages in the two provincial parks identified. If the decision is made to renew these leases in 2017, the Ministry should ensure that the lease payments are increased to at least fair market value and that the fees charged for services to the cottagers recover the Ministry's cost of providing the services.

MINISTRY RESPONSE

The Ministry appreciates the Auditor General's recommendation on the private cottages in two provincial parks. The Ministry has recently completed economic and environmental studies regarding the private cottages on leased land in the two provincial parks, and is examining the results to consider the financial arrangements between the cottagers and the Crown as well as the environmental impacts posed by the cottages and their use.

Should the government decide to renew the leases in 2017, it will consider an updated fee structure that will move toward ensuring that the province receives a fair rate of return for use of the land and recovering its costs of providing services to the cottagers. If the government decides to renew the leases in 2017, the Ministry will also develop lease conditions intended to address environmental impacts. In the meantime, the Ministry will continue to monitor and enforce the current lease conditions to help address ongoing environmental impacts.

Reservation and Registration Services

At the time of our previous audit in 2002, reservation and registration services were provided by a private contractor. When the Ministry's 10-year agreement with the contractor ended in 2009, a request for proposals was issued for a new reservation system. A new 10-year, $25-million contract was awarded to a new contractor that was the lowest bidder, effective November 2009.

The Ministry, however, claimed that this new contractor was unable to provide contract deliverables with respect to hardware and software development, and that it did not meet service-level requirements for the call centre and for Internet connectivity. Accordingly, the Ministry terminated its agreement with this contractor effective October 31, 2010, and the Deputy Minister approved the awarding of the contract to the second-ranked bidder in the 2009 request for proposals, which was the contractor whose 10-year agreement had expired. As a result of the termination, the new contractor filed a Statement of Claim against the Ministry and the original contractor in September 2011. The new contractor is claiming substantial damages against the Ministry for breach of contract. At the time of our audit, the lawsuit was ongoing. The reservation and registration system put in place by the replacement contractor was working well at the time of our audit.

Chapter 3

Ministry of Health and Long-Term Care

Section

3.08

Rehabilitation Services at Hospitals

Background

DESCRIPTION OF REHABILITATION

Rehabilitation services in Ontario generally provide support to people after certain types of surgery and to people with injuries, chronic conditions and disabilities, to help them regain, maintain or improve their health and to carry out their daily activities. Rehabilitation services can include, among other things, physiotherapy, occupational therapy, speech-language pathology, social work and nursing. (For definitions of "rehabilitation" and other terms, see the Glossary at the end of this report.)

ELIGIBILITY FOR REHABILITATION

The Ministry of Health and Long-Term Care (Ministry) funds rehabilitation services for eligible Ontarians. This includes all hospital rehabilitation inpatients and hospital-registered outpatients. In terms of community-based services, the Ministry funds physiotherapy only for patients who:

- are 19 and under or 65 years of age and over; or
- have spent at least one night in hospital prior to rehabilitation; or
- require physiotherapy at home or reside in a long-term-care home; or
- are eligible for Ontario Works or the Ontario Disability Support Program.

Publicly funded rehabilitation for eligible persons includes services provided at:

- hospitals—both inpatient and outpatient clinics for registered patients;
- patients' homes;
- until August 2013, 90 privately owned physiotherapy clinics that had Ontario Health Insurance Plan (OHIP) billing privileges; and
- after August 2013, at privately owned or hospital-based physiotherapy clinics with which the Ministry contracts to provide services.

Individuals not eligible for publicly funded rehabilitation can access private-pay services from community rehabilitation providers and certain hospital-based outpatient programs. These patients pay for the services themselves if they are not covered by a private insurance provider or the Workplace Safety and Insurance Board.

TYPES AND EXTENT OF INPATIENT REHABILITATION

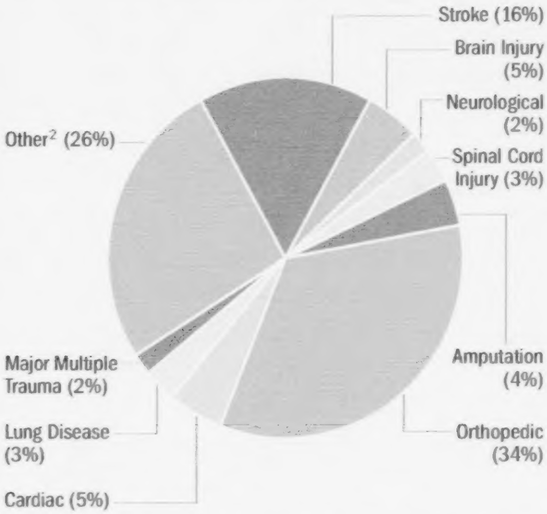
The Ministry funds inpatient rehabilitation services in 61 hospitals through the province's 14 Local Health Integration Networks (LHINs), which are accountable to the Ministry. Inpatient rehabilitation in Ontario can be shorter-term in nature, with frequent rehabilitation sessions (known as regular rehabilitation) or longer-term in nature (known as restorative or slow-paced rehabilitation) for people unable to participate in frequent sessions. The 61 hospitals have almost 2,500 regular rehabilitation beds to which more than 30,000 patients were admitted in the 2012/13 fiscal year. As Figure 1 shows, in 2012/13, orthopedic conditions (including hip and knee replacements) and stroke were the most common reasons for admission to regular rehabilitation inpatient programs. The Ministry did not have information available on the total public funding spent on rehabilitation services. Province-wide information was not available on the number of restorative rehabilitation beds and associated admissions. As well, the Ministry did not have information on the total number of patients attending or how often they visited hospital-run outpatient programs.

FUTURE NEED FOR REHABILITATION

In the 2012/13 fiscal year, about half of inpatients admitted to hospital for regular rehabilitation were over 75 years of age. Between 2012 and 2021, a 30% increase in this population is expected. An even greater increase is anticipated after 2021, when baby boomers —those born between 1946 and 1964—will start to turn 75. As a result, the demand for rehabilitation services is expected to increase significantly. Rehabilitation can help people who are aging or living with various health conditions maintain the functioning they have.

Figure 1: Percentage of Regular[1] Rehabilitation Inpatient Admissions by Condition, 2012/13

Source of data: Ministry of Health and Long-Term Care



1. Figure excludes restorative rehabilitation beds because province-wide information was not available.
2. Includes various conditions, such as arthritis, burns, infections and spina bifida.

Audit Objective and Scope

The objective of our audit was to assess whether selected hospitals have effective processes in place to ensure that patients have access to rehabilitation programs, including services and equipment, based on their needs, and that oversight practices are in place to monitor the cost-effectiveness of these programs. Senior ministry and hospital management reviewed and generally agreed to our audit objective and associated audit criteria.

Our audit focused on rehabilitation services provided by hospitals because hospitals provide a large portion of publicly funded rehabilitation services. We conducted our audit work at three different hospitals across the province that provide rehabilitation services: Hamilton Health Sciences Corporation, with 129 regular and 44 restorative rehabilitation beds; The Ottawa Hospital, with 80 regular rehabilitation beds; and Providence Healthcare, a Toronto hospital that provides only rehabilitation services, with 87 regular and 140 restorative rehabilitation beds. The three hospitals offer rehabilitation for a variety of more common patient conditions, which can include joint replacement surgery and stroke. The Hamilton Health Sciences Corporation and The Ottawa Hospital also offer specialized rehabilitation, such as programs for patients with spinal cord injuries and acquired brain injuries.

We did not audit privately owned physiotherapy clinics that are publicly funded or home-based rehabilitation services provided by Community Care Access Centres.

The scope of our audit included the review and analysis of relevant files and administrative policies and procedures, as well as interviews with appropriate hospital and ministry staff. We also reviewed relevant research, including best practices for rehabilitation in other jurisdictions. In addition, we held discussions with senior management at each of the Local Health Integration Networks associated with the three hospitals audited. We also obtained the perspective of the Ontario Hospital Association, which represents Ontario hospitals; the GTA (Greater Toronto Area) Rehab Network, which represents hospitals and community-based organizations involved in planning for and providing rehabilitation services; and the Ontario Physiotherapy Association, which represents Ontario's registered physiotherapists. As well, we engaged the services of two independent experts in rehabilitation services to advise us.

Summary

There is a need for a provincially co-ordinated rehabilitation system. Ontario's population is aging, so there will be an even greater need for rehabilitation services in the future. This is especially true given that two of the main conditions requiring rehabilitation services—stroke and orthopedic conditions, such as knee and hip fractures—are more prevalent in older people. Rehabilitation services across the province have evolved over many years such that there are now significant variations in the availability and type of services provided, which can impact patient access to services.

The lack of a co-ordinated system has led to individual hospitals—some with input from their Local Health Integration Network (LHIN)—generally determining which inpatient and/or outpatient rehabilitation services they will offer, if any. As such, each hospital establishes its own policies and procedures for determining patient eligibility for its services, prioritizing eligible patients and providing patient care. As a result, a patient deemed eligible for services at one hospital might not be eligible for similar services at another.

Although there are minimal waits for most people determined by hospitals to be eligible for regular inpatient rehabilitation, there is a lack of information on those who are rejected. The one hospital we visited that tracked this information rejected almost 40% of patients referred for regular—that is, shorter-term—rehabilitation and over 20% of applicants referred for restorative—that is, longer-term—rehabilitation. Hospitals have closed many outpatient programs over the last 10 years. Wait times for outpatient programs range from immediate access, to a few days, to a couple of years.

The Ministry has recently begun several initiatives aimed at improving the rehabilitation system, which may help to address some of our recommendations. This includes expanding the role for the Rehabilitative Care Alliance, a group tasked with building on the Rehabilitation and Complex Continuing Care Expert Panel's framework for rehabilitative care planning.

Some of our more significant observations are as follows:

Ministry Co-ordination of Rehabilitation System

- There is a wide variation in the supply of regular rehabilitation inpatient beds across the province—a situation that may require people to travel outside their LHIN for rehabilitation services. The number of beds ranges from 57 per 100,000 people in the Toronto Central LHIN to only six per 100,000 people in the Central West LHIN, with a provincial average of 18 beds per 100,000. Further, according to a 2011 joint report by the Orthopaedic Expert Panel, the Ontario Physiotherapy Association and others, the availability of outpatient programs was inconsistent across LHINs and there was little information on the demand for services, service capacity and service accessibility.

- It is difficult for the Ministry or the LHINs to determine system capacity because there is a lack of system-wide information available for decision-making on restorative inpatient rehabilitation and outpatient rehabilitation. Further, the Ministry had limited information on the actual use of complex continuing care beds in hospitals. Hospitals may use these beds for a wide range of purposes, including restorative rehabilitation. Unlike regular inpatient rehabilitation, there is no system-wide information available to the Ministry or the LHINs on the extent to which restorative inpatients or outpatients improve as a result of the therapy received. Therefore, the effectiveness of inpatient restorative or hospital-based outpatient rehabilitation services provided is not tracked overall.
- Approximately one-third of patients admitted to inpatient rehabilitation at the two hospitals we visited with stroke programs had been assessed by an acute hospital as having mild functional impairment. This suggests that they might have been better served in outpatient programs if these less costly services were available. Further, the Ontario Stroke Network reported in 2012 that implementation of best practices related to stroke, such as serving people with mild functional impairment in an outpatient setting, would have a positive impact on patient outcomes while resulting in savings of about $20 million per year.
- Patients no longer requiring hospital care may occupy beds needed by other patients. A report by the Ontario Hospital Association indicated that as of March 2013, about 2,300 alternate-level-of care (ALC) patients who were ready to be discharged were waiting in acute-care hospital beds for post-discharge care arrangements. Of these, 25% were waiting for a regular rehabilitation bed or a complex continuing care (which includes restorative rehabilitation) bed. In addition, 13% of beds in post-acute-care facilities, such as rehabilitation hospitals, were occupied by ALC patients waiting for post-discharge care, such as home-care services or accommodation in a long-term-care home, making these beds unavailable for other patients requiring acute care or rehabilitation.
- There is no listing, such as on a website, that patients and their families can access of all publicly funded rehabilitation services available in the province, by LHIN or otherwise. The GTA (Greater Toronto Area) Rehab Network has made a good start, listing by hospital and by Community Care Access Centre (CCAC) the rehabilitation services offered across the GTA.

Hospital Services

All three hospitals we visited were managing various processes well for determining patient access to their rehabilitation programs, and all had a range of oversight practices in place. However, all had areas for improvement.

- With the exception of stroke, for most conditions requiring rehabilitation, there are few best practice standards in Ontario for such matters as when therapy should start, how often it should occur and what type of treatment should be provided. Not unexpectedly, the hospitals we visited varied in their practices and, therefore, patient care varied.
- Hospitals generally met ministry requirements to discharge total joint replacement—that is, total hip and knee replacement—patients from acute-care hospitals in 4.4 days, with at least 90% of them returning home and a maximum of 10% sent to inpatient rehabilitation. However, patients might experience waits for associated outpatient rehabilitation.
- At the three hospitals visited, the median time to determine outpatient eligibility ranged from the same day, to five days, to 19 days from the date of referral. This could impact when patients start their outpatient rehabilitation.

- Two of the three hospitals visited did not offer outpatient rehabilitation services during evenings or weekends. Patients who work during the day may not be able to attend.
- At the hospitals we visited, there was generally no replacement coverage for therapists who were absent due to illness or vacation, so at times there were fewer therapists available for the same number of patients. Further, although therapists determine the extent of therapy each patient is to receive and are responsible for providing this level of therapy, we were unable to determine how much therapy patients actually received. This is because, although the hospitals and the therapists' professional colleges required some documentation of therapy, none required documentation of all sessions each patient attended.

OVERALL MINISTRY RESPONSE

The Ministry of Health and Long-Term Care (Ministry) welcomes the advice and recommendations contained in the value-for-money audit of hospital-based rehabilitation services. The audit acknowledges the processes already in place with respect to patient access and oversight practices. A number of initiatives are also being implemented collaboratively by the Ministry, Local Health Integration Networks (LHINs) and Community Care Access Centres to further strengthen the rehabilitation system, with a goal of ensuring that patients receive timely care in the most appropriate setting. For example:

- In the 2012 Ontario Budget, the government increased investments in home care and community services by an average of 4% annually for the next three years to ensure that there is capacity to care for people outside the hospital setting. Ensuring that patients receive the right care in the right place is essential for high-quality service and for managing health-care costs.
- Ontario is investing $156 million a year to support access to physiotherapy, and to enhance exercise and fall prevention services to more than 200,000 additional seniors and eligible patients.
- The LHINs have established and retain oversight of the Rehabilitative Care Alliance (Alliance). The Alliance will provide a support system for improving access, efficiency, effectiveness, quality, integration, value and equity in the delivery of rehabilitative services across the care continuum. Its mandate includes endorsing or, where absent, developing best practice guidelines to enhance outcomes and increase community capacity.
- The LHINs have also recently undertaken an Integrated Orthopaedic Capacity Planning exercise to identify opportunities for optimizing orthopaedic capacity across settings, including rehabilitation services in hospitals and outpatient clinics.
- Under Health System Funding Reform, the Ministry and LHINs are implementing an Integrated Quality-Based Procedure Scorecard under which providers—including hospitals providing rehabilitation services—will report on indicators of effectiveness, appropriateness, integration, access and value, including for rehabilitation services. To this end, Health Quality Ontario has convened a Hip/Knee Expert Panel to develop additional best practices on targets for total joint replacement procedures.

Detailed Audit Observations

INITIATIVES

In recent years, the Ministry of Health and Long-Term Care (Ministry) has supported a number of initiatives that it indicated are intended to improve, among other things, the rehabilitation system, including the following:

- *Resource Matching and Referral System.* This system helps match hospital patients to the earliest available bed in the most appropriate setting, including both regular (shorter-term) and restorative (longer-term) rehabilitation beds. At the time of our audit, two LHINs were piloting the system, and the remaining LHINs were expected to begin implementing it by March 2014.
- *Wait Time Strategy.* As part of this strategy, in the 2011/12 fiscal year, the Ministry set targets for acute-care hospitals to discharge patients who have undergone hip or knee surgery within an average of 4.4 days, with at least 90% of people returning home—that is, with a maximum of 10% referred to inpatient rehabilitation. In the absence of best practices, the Ministry based the 4.4 days on performance data from Ontario's optimally performing hospitals. It based the 90% "returning home" indicator on a 2005 study by the Ontario Health Technology Advisory Committee. This study concluded that there was no advantage for total joint replacement patients to receive inpatient physiotherapy rather than community- or home-based physiotherapy. A related study by the Ministry also noted that having patients receive rehabilitation services outside a hospital setting is generally more cost-effective than having them as inpatients. The Ministry indicated that its Orthopaedic Expert Panel is now developing new targets, which the Ministry plans to link to funding in the future. The Ministry expected that this will help move patients out of acute care more quickly and ensure that acute-care and rehabilitation beds are available for patients who need them the most.
- *Health System Funding Reform.* Commencing in the 2012/13 fiscal year, the Ministry plans to move away from historical global funding for hospitals, and toward, over the next few years, funding based on three components. Thirty percent will be based on historical global funding; 40% on the Health Based Allocation Model, which considers past service levels, demographics and population health information; and 30% on the Quality-based Procedures model based on best practices.
- *Rehabilitative Care Alliance.* (This replaced the Rehabilitation and Complex Continuing Care Expert Panel, which was a sub-committee of the Ministry's Emergency Room/Alternative Level of Care Expert Panel.) Established in October 2012, the Alliance is to take a system-wide view of rehabilitation in Ontario. It reports to the LHINs and works with the Ministry, CCACs and experts on various projects. Issues the Alliance is focusing on include system accessibility and quality. In this regard, it is also assisting in defining best practices in rehabilitation that are expected to help standardize the definitions of regular and restorative rehabilitation to better track services and costs.
- *Funding for Community Rehabilitation.* The Ministry indicated that OHIP payments to private physiotherapy clinics were one of the fastest-growing expenditures in the health-care system, more than doubling from $87 million in 2007/08 to $185 million in 2012/13. Starting in August 2013, the Ministry changed the way it funds some eligible community-based (also known as outpatient) services. This includes ceasing OHIP billing privileges for 90 privately owned physiotherapy clinics and instead contracting with privately owned clinics and other providers (such as hospitals and family health teams) to provide community-based physiotherapy. As well, through the LHINs, the Ministry started funding long-term-care homes to directly acquire physiotherapy services for their residents, and made the CCACs responsible for co-ordinating all in-home rehabilitation. The Ministry noted that the new arrangements

were aimed at serving more people in more areas of the province more cost-effectively.

SYSTEM CO-ORDINATION AND CAPACITY

Stakeholders Call for Co-ordinated System

Many times over the years, stakeholders have called for better provincial co-ordination of rehabilitation programs in order to, among other things, improve patient flow from acute-care hospitals to rehabilitation and ensure that patients receive the rehabilitation they need when required. For example:

- A 2000 report by the Provincial Rehabilitation Reference group, including representatives from rehabilitation hospitals and the Ministry, identified the need for a policy framework aimed at creating a more accessible, equitable and integrated rehabilitation system.
- In 2006, an Ontario Hospital Association report, *Optimizing the Role of Complex Continuing Care and Rehabilitation in the Transformation of the Health Care Delivery System*, recommended that the Ministry and the LHINs work with post-acute-care hospitals, such as those offering rehabilitation and mental health services, to develop a systemic approach to managing and planning rehabilitation services at the local, regional and provincial levels.
- A June 2010 round-table discussion between the Ministry, the Ontario Hospital Association, and the LHINs recommended a "single province-wide vision and conceptual framework to guide the future development of new service delivery models." The conceptual framework was to include determining access to rehabilitation at a regional level, conducting earlier assessments and treatment of rehabilitation patients, increasing access to and intensity of rehabilitation services for complex patients in hospital, and requiring the use of best-practice guidelines for rehabilitation.

Current Co-ordination of Services and Capacity

At the time of our audit, we noted that the LHIN associated with one hospital we visited was co-ordinating access to restorative rehabilitation across the LHIN and that it planned to do the same with regular rehabilitation in the future. The LHIN associated with another hospital we visited was involved in developing new rehabilitation programs and changing existing ones within its boundaries. The third LHIN was looking primarily at patient flow from acute-care hospital beds to rehabilitation beds. Some LHINs have formed rehabilitation networks consisting of hospitals and community-based organizations involved in the planning and provision of rehabilitation services. These networks look at system-wide issues and cost-effective and efficient strategies for the integration of rehabilitation services to improve patient access to care. The GTA (Greater Toronto Area) Rehab Network, for example, has focused on promoting best practices and knowledge exchange and on developing measures for service planning and performance improvement. Each of the three hospitals we visited belongs to a local rehabilitation network.

However, with the exception of a few provincially co-ordinated specialty rehabilitation programs—such as those for spinal cord injuries and acquired brain injuries—each hospital generally determines (some with LHIN input) which inpatient and/or outpatient rehabilitation services it will offer, if any at all. As a result, since services vary, each hospital generally establishes its own policies and procedures for admitting rehabilitation patients, determining patient eligibility, prioritizing patients for services, managing patient wait lists and providing patient care.

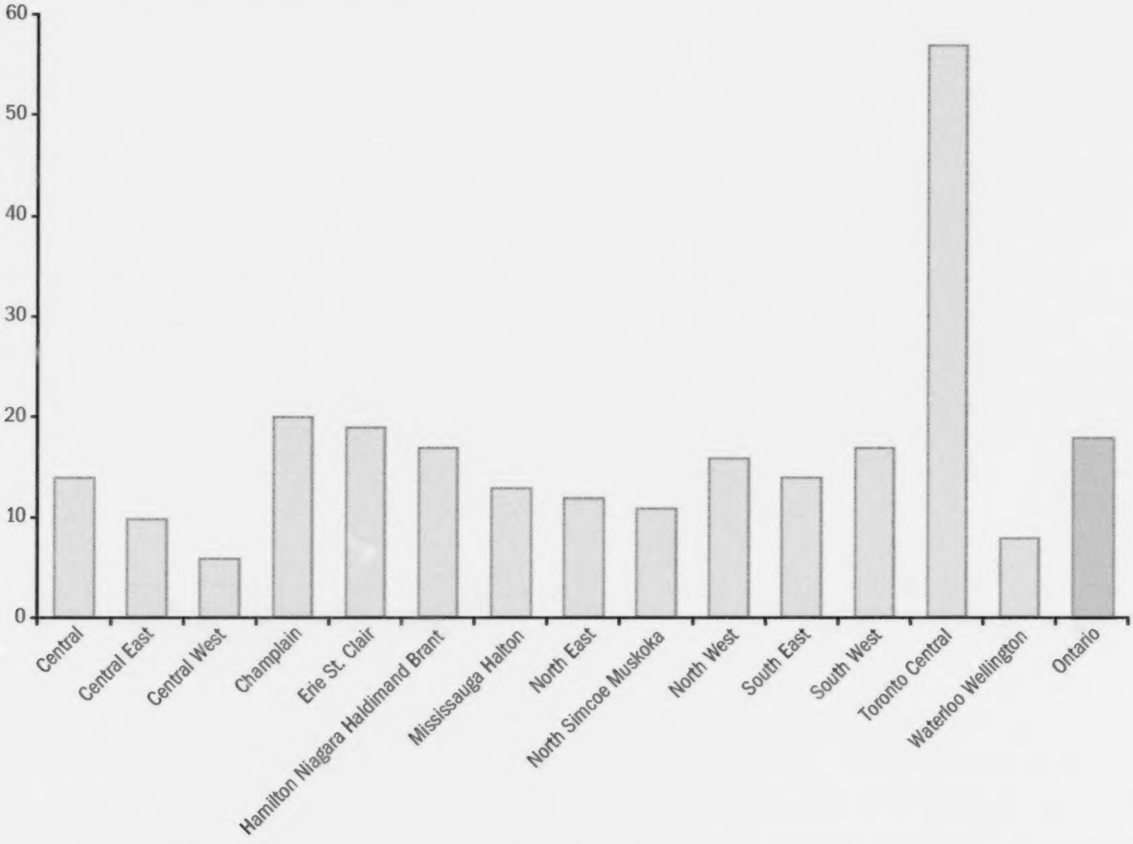
This approach to service delivery has resulted in differences in the types and levels of inpatient and outpatient services provided by hospitals across the province. As a result, a patient might be eligible for services at one hospital but not eligible for the same services at another hospital. We also noted a wide variation in the supply of regular rehabilitation inpatient beds across the province, ranging from 57 beds per 100,000 people in the Toronto Central LHIN to only six per 100,000 people in the Central West LHIN, as shown in Figure 2. The provincial average was 18 beds per 100,000 people. The Ministry indicated that the location of rehabilitation beds across the province was set before the LHIN boundaries were developed, and therefore some patients may receive rehabilitation outside their LHIN.

Information Available on Inpatient Services

Since 2002, the Ministry has required all hospitals to submit data on their regular rehabilitation beds through the Canadian Institute for Health Information's National Rehabilitation Reporting System. This included the number of beds and number of admissions. However, the Ministry does not have access to similar information on restorative rehabilitation, such as the number of restorative rehabilitation beds and associated admissions. Each hospital's accountability agreement with its LHIN contains performance targets. The main rehabilitation targets relate to the number of regular rehabilitation inpatients each hospital is expected to serve and the total number of days restorative patients stay in hospital. Without complete information, it is difficult for the Ministry or the LHINs to determine system capacity and utilization.

Figure 2: Number of Regular* Rehabilitation Beds per 100,000 People as of September 2010, by Local Health Integration Network

Source of data: Toronto Central LHIN Commissioned Report



* Figure excludes restorative rehabilitation beds because province-wide information was not available.

Information Available on Outpatient Services

With respect to outpatient services, according to various stakeholder reports—including a 2011 report by the GTA Rehab Network and a 2011 joint report by the Orthopaedic Expert Panel, the Ontario Physiotherapy Association and other partners—there has been a reduction in publicly funded outpatient services. This includes the closure of many hospital-based outpatient clinics starting more than 10 years ago. In fact, according to the 2011 joint report, 50% of Ontario hospital sites responding to a survey said they had reduced outpatient rehabilitation services over the past two years; 16% indicated that even more reductions were planned for the following year. This report also noted that the availability of outpatient programs was inconsistent across the LHINs and that there is little information on the demand for services, service capacity and service accessibility. The 2011 report by the GTA Rehab Network, while confirming the lack of information on outpatient rehabilitation services, did note that demand for publicly funded outpatient rehabilitation services appears to exceed supply.

We noted that, although the Ministry has information on outpatient rehabilitation visits to hospital physicians and nurses, it does not have information on the number of rehabilitation visits to hospital physiotherapists or occupational therapists—the clinicians whom outpatients primarily deal with. Nor does it have information on the unique number of patients (individuals generally make multiple visits). The LHINs overseeing the hospitals we audited also did not have this information. Further, none of the hospitals we audited had determined their outpatient service capacity—that is, the maximum number of patients they could serve given their currently available outpatient resources, such as the number of therapists and rooms or equipment available for therapy.

The Ministry also did not have information on the types of hospital-based and other outpatient rehabilitation services available. However, the GTA Rehab Network had on its website a user-friendly "Rehabilitation Finder" that helps people find rehabilitation programs provided by hospitals and CCACs in their area, including program descriptions, eligibility information and how to apply. We also noted that two other LHINs in the province had on their websites some information about publicly funded rehabilitation services available in their area.

Impact of Aging Population

As the population ages, the need for rehabilitation services is expected to increase, which will also increase the importance of a well co-ordinated system. Rehabilitation programs can help seniors in a number of ways: they help seniors return home after a hospital stay instead of requiring a long-term-care home, decrease their visits to emergency departments and their hospital readmission rates, and maintain their mobility in long-term-care homes. According to a 2010 report from the Canadian Orthopedic Care Strategy Group, musculoskeletal disease, such as knee and hip fractures, affected 11 million Canadians over the age of 12 in 2007 and is predicted to increase with the aging baby boomer population to 15 million in 2031. This anticipated increase in cases is expected to put pressure on the demand for rehabilitation because orthopedic conditions are the most common reason for rehabilitation. Similar trends can be expected for patients suffering from stroke, the second-most-common reason for inpatient rehabilitation, given the aging population and that most strokes occur in people over 65.

RECOMMENDATION 1

To better ensure that Ontarians requiring rehabilitation have equitable access to services, the Ministry of Health and Long-term Care (Ministry) should work with the Local Health Integration Networks to:

- establish a province-wide co-ordinated system for rehabilitation, including both regular (shorter-term) and restorative (longer-term) inpatient services and all community-based outpatient services; and

- provide the public with detailed information on programs available, eligibility and how to apply, such as through a public website.

In order to have good information for current and future decision-making, the Ministry should establish, in conjunction with its shareholders, what information should be collected on restorative inpatient and outpatient services and how best to collect the data.

MINISTRY RESPONSE

The Ministry supports this recommendation and will continue to explore options regarding LHIN-led provincial co-ordination of the rehabilitation system, including rehabilitation best practices and associated data-reporting requirements. Leading this work will be the Rehabilitation Care Alliance (Alliance). With the Ministry's participation and support, the Alliance is investigating and developing recommendations that will help guide provincial standards for rehabilitative care programs and services across the care continuum. The additional deliverables of this expert body will include:

- descriptions of level of care across the rehabilitative care continuum;
- eligibility (including restorative and/or rehabilitative potential) and discharge criteria for each level of care across the rehabilitative care continuum;
- tools for determining eligibility;
- standardized patient outcomes and/or performance measures criteria for each level of care across the rehabilitative care continuum;
- tools to support optimal management of transition points;
- standardized definitions that describe rehabilitative care resources across the care continuum, including a system-wide assess-and-restore approach to provide clarity for patients, families and referring professionals regarding the focus and clinical components of rehabilitative care programs.

The Ministry's physiotherapy reforms include the expansion of provincial capacity to deliver physiotherapy in publicly funded community physiotherapy clinics. Under the transfer-payment agreements, physiotherapy clinics are required to report on patient volumes and outcome measures such as average pain/mobility scores when patients begin treatment against average pain/mobility scores when patients complete their course of care. Community Care Access Centres (CCACs) are also receiving funding to provide increased one-on-one in-home physiotherapy services. These changes will result in services being available in more places across the province. They also recognize that "rehabilitation" is a care continuum that extends beyond the hospital into the community.

The Ministry appreciates the Auditor General's recommendation regarding the availability of public information on rehabilitation programs and services and will review possible enhancements to web-based communication materials. At present, if an individual needs in-home physiotherapy or would like a list of where clinic-based services are available, he or she can contact the local CCAC by visiting **thehealthline.ca** or **www.310CCAC.ca** or by calling 310-CCAC (2222) (no area code required). Additionally, information on the August 2013 changes to publicly funded physiotherapy services can be found on the Ministry's website, including a list of frequently asked questions, clinic locations and other resources.

Working through the LHINs and other provider groups, the Ministry will explore data collection requirements that are meaningful and useful in terms of informing the delivery of rehabilitation services.

INPATIENT SERVICES

Referral Process

People are generally referred by a physician or a registered nurse for inpatient rehabilitation programs. At one hospital we visited, referrals were also accepted from any member of the interdisciplinary team caring for the patient being referred. Over 90% of patients are already hospitalized for an acute condition, such as a stroke or fractured hip, when they are referred for inpatient rehabilitation.

The hospitals we visited varied in how they received patient referrals. One hospital we visited received most of its patient referrals via electronic systems, including a Resource Matching and Referral system. Physicians and nurses unable to access these systems referred patients by fax. However, even though most of the information was electronically received, this hospital still had to manually re-enter all patient information into its own information system—an inefficient process that increases the risk of data entry errors. At the other two hospitals, most patients were referred internally for rehabilitation after, for example, surgery or stroke care. One hospital received notification of internal referrals electronically, while the other received these referrals by phone or fax. However, in both cases, patient information was electronically accessible on the hospitals' systems and therefore did not have to be re-entered. As a result, only patient information related to external referrals, which were generally received by fax, had to be manually entered in these two hospitals' systems.

Eligibility and Wait Times

Each hospital generally has its own eligibility criteria for accepting or declining patients referred to it for rehabilitation. The hospitals we visited varied in how they determined eligibility for similar programs. For example, one of the two hospitals offering an orthopedic rehabilitation program required that patients be able to participate in therapy five days per week, for at least one hour per day. The other hospital required patients to be able to participate in therapy for 30 minutes to an hour three times per day. In another example, for its amputee rehabilitation program, one hospital required patients with single limb amputations to have a prosthesis that fits adequately, while another required the patient to be able to tolerate 60 minutes or more of therapy five days per week, and a third hospital had various requirements, including the patient's being able to sit for two hours and having a discharge destination within the hospital's LHIN.

The actual process for determining eligibility also varied between hospitals we visited. At one hospital, patient-flow co-ordinators—physiotherapists or occupational therapists—made the admission determination. At another hospital, eligibility was generally determined by a physiatrist—a medical doctor specializing in physical medicine and rehabilitation. At the third hospital, a nurse determined eligibility in consultation with a physiatrist. At one hospital, it took a median of four days between April and December 2012 to determine patient eligibility. The other two hospitals determined patient eligibility within a day.

Although a ministry report indicates that, province-wide, 55% of patients considered ready for regular inpatient rehabilitation were admitted within one day in the 2012/13 fiscal year, certain rehabilitation programs do have wait lists. For example, at the two hospitals we visited that had an acquired-brain-injury program, the wait time at both was a median of 21 days.

If a space is not immediately available in a particular rehabilitation program, individuals are added to the hospital's wait list. Neither the province nor the LHINs have established a standardized prioritization policy for hospitals to follow, so each hospital decides how to prioritize its own patients. One of the hospitals we visited generally did not have wait lists. Of the two with wait lists, one prioritized individuals based on who had been waiting the longest. The other considered length of wait plus factors such as the patient's medical condition.

These two hospitals prioritized internally referred patients over those waiting elsewhere if the hospital needed to free up acute-care hospital beds for other patients.

One hospital we visited tracked the number of patients who were declined and the reason they were declined. This hospital told us that it declined 39% of applicants referred for regular rehabilitation and 22% of applicants referred for restorative rehabilitation during the first nine months of the 2012/13 fiscal year. The most common reason for declining applicants was that they had not established rehabilitation goals, such as being able to walk up stairs or dress oneself. At this hospital, acute care therapists would generally determine any initial goals as part of the referral process. Another hospital generally accepted all patients referred, declining few applicants overall. The third did not track the overall number of patients declined service or the reasons they were declined.

Assessment and Extent of Therapy Provided

Assessment of Therapy Needs

Once a patient has been admitted to a rehabilitation facility, he or she is assessed by an inter-professional team that generally includes a physiotherapist, an occupational therapist and a nurse. All patients referred for regular rehabilitation are assessed using a standardized tool called the Functional Independence Measure (FIM), which measures the level of a patient's disability. The FIM assessment also indicates how much assistance is required to carry out various activities of daily living, such as eating, washing, dressing and toileting. According to the Canadian Institute for Health Information (CIHI), the FIM assessment is to be completed within 72 hours of admission. (The CIHI maintains the National Rehabilitation Reporting System containing patient data collected from participating adult inpatient rehabilitation facilities and programs across Canada.) One hospital we visited tracked this information and indicated that in the 2012/13 fiscal year, the FIM assessments were completed, on average, in nine days. This hospital noted that it had reduced the time to five days by June 2013. The other two hospitals did not track this information.

The CIHI also collects assessment information on patients in restorative rehabilitation programs using the Continuing Care Reporting System. Patients are to be given a Resident Assessment Instrument—Minimum Data Set assessment, which measures a patient's needs and strengths with regard to cognition, communication, behaviour, toileting and other criteria.

As well, both regular and restorative rehabilitation patients receive additional assessments, conducted by each type of therapist, in order to develop an individualized plan of care based on their needs. It is important that these assessments be completed promptly so that therapy can begin as soon as possible after admission. We noted that the time frames for assessment varied at the three hospitals we audited. At one hospital, therapists were allowed 48 hours from admission to complete their assessments; another allowed seven days, and the third allowed 14 days. Our review of a sample of files indicated that two of the hospitals generally completed assessments within their required time frames. However, at the third hospital, 16% of the assessments were not completed within the required seven days.

Extent of Patient Therapy

With the exception of stroke (discussed in the Stroke section later in this report), there are few best-practice standards in Ontario for the amount, type and frequency of inpatient therapy that patients should receive for specific conditions. At the hospitals we visited, the amount and type of therapy that each patient is to receive is based on the professional judgment of his or her therapists and on the resources available.

A 2010 report resulting from a round-table discussion between the Ministry, the LHINs and the Ontario Hospital Association noted that providing more therapy is less expensive than having patients spend more time in the hospital. In this regard, a 2012 study by a Toronto rehabilitation hospital compared the results of its programs providing rehabilitation seven days per week with those providing rehabilitation five days per week. It noted that patients in its seven-days-per-week program got similar results and were able to go home one day earlier than those in the five-days-per-week program. However, the report concluded that it was too early to evaluate the cost-effectiveness of the seven-days-per-week program. We noted that one of the hospitals we visited did not provide any inpatient rehabilitation services on weekends, one of the other two offered some therapy on Saturdays for one unit, and the third offered some therapy on weekends for two of its many programs. One of these hospitals indicated that weekend therapy was not offered on most units because weekends were a time for patients to rest, recover and practice new skills. A common complaint noted in patient satisfaction surveys at one of the hospitals was the lack of therapy available on weekends.

It was difficult to determine how much therapy was actually provided to each patient at the three hospitals we visited. Although all three of the hospitals, as well as the therapists' professional colleges, require some documentation of therapy, none required documentation of all sessions each patient attended. None of the hospitals was documenting all rehabilitation provided to each patient. Two hospitals did track the specific days on which therapy was provided to each patient, but not the actual amount of therapy provided per day. Although the hospitals required the therapists to document electronically how they spend their time each day on various tasks, such as time spent with patients, this information was collected at the therapist level only and was not being used to determine how much therapy each patient received. In the United States, for Medicare-eligible rehabilitation inpatients, therapists are required to record face-to-face interactions with patients in 15-minute increments, and managers must ensure that patients receive three hours of therapy each day.

The number of patients seen by each therapist—that is, patient caseload—varied at each of the hospitals we visited. Some therapists were seeing patients with different needs from more than one program, and others worked in both inpatient and outpatient programs. Therefore, it was difficult to compare among hospitals. However, at all three hospitals, we noted that there was generally no coverage for therapists who were sick or on vacation, so at times there were fewer therapists available for the same number of patients. One hospital indicated that it had piloted providing coverage for therapists who were away during peak vacation periods and was evaluating the impact.

Impact of Patient Therapy

Before discharging a patient, hospitals complete another FIM assessment of him or her, which is compared to the results of the initial FIM assessment to determine the extent of the patient's improvement. Patients in regular rehabilitation beds at all three hospitals had improved FIM assessment scores when discharged. The FIM improvement is the result of the rehabilitation received combined with the natural healing process and the passage of time. Further, the percentage of regular rehabilitation inpatients returning home ranged from 85% to 87% at the hospitals we visited. FIM assessments are not required for patients in restorative beds, so the extent to which they improve after rehabilitation is generally not known. However, one of the hospitals we visited was conducting these assessments on its restorative rehabilitation patients, and noted a significant improvement in patient functionality.

Co-payment for Restorative Rehabilitation

Regular rehabilitation generally takes place in beds that have been designated by the Ministry as rehabilitation beds, and restorative rehabilitation takes place in beds designated as complex continuing care (CCC) beds. Historically, CCC beds were occupied on a permanent basis by, for example, patients who could not be managed at long-term-care homes. However, these beds are now generally used for other purposes, including restorative rehabilitation and palliative care. With the current wide range in the services provided for patients in CCC beds, the Ministry has limited information on the actual use of these beds. As well, two of the three LHINs associated with the hospitals we visited did not have this information.

Under the *Health Insurance Act*, hospitals may charge a co-payment fee to their long-term CCC patients who have effectively become permanent residents of the hospital or who are awaiting discharge to a long-term-care facility, but not to those returning to the community. The co-payment charge is intended to eliminate any financial incentive for patients to stay in hospital, where a patient would normally pay nothing, rather than move to a long-term-care home, where payment is normally required. The hospital co-payment charge is usually the same as the basic rate charged in long-term-care homes, and, similar to this charge, can be reduced for people with low incomes. One of the two hospitals we visited that had CCC beds charged a co-payment fee only to the approximately 20% of its CCC patients who were not expected to return home. However, the other charged the co-payment to all of its CCC patients, including the restorative rehabilitation patients, regardless of whether they were expected to return home.

Alternate-level-of-care Patients

Alternate-level-of care (ALC) patients are patients who are ready to be discharged but need to wait in hospital for post-discharge care, such as home-care services or placement in a long-term-care home. Some ALC patients are waiting in an acute-care hospital bed for placement in a rehabilitation bed. The potential risks of staying in an acute-care hospital longer than medically necessary include hospital-acquired infections, such as *C. difficile*, and a decline in physical and mental well-being due to the lack of physical activity. Further, the Ontario Hospital Association and the provincial Rehabilitative Care Alliance have both recognized that rehabilitation beds can be a valuable resource for the health-care sector, by helping to keep ALC patients out of acute-care hospitals, relieving pressure on emergency departments and allowing for an efficient flow of patients through the system. However, ALC patients may be difficult to place if they have a complex medical condition. The rehabilitation hospitals we visited said that costs for their ALC patients were usually only marginally less than for other patients because ALC patients still required some therapy to ensure that their condition does not decline.

The Ministry's Rehabilitation and Complex Continuing Care Expert Panel (Expert Panel), which comprised rehabilitation experts and stakeholders from across Ontario, issued a report in June 2011 providing advice and guidance to the Ministry's Emergency Room/Alternative Level of Care Expert Panel. This report focused on how best to reduce ALC lengths of stay throughout the system by properly utilizing the regular and restorative rehabilitation resources for stroke, hip- and knee-replacement, and hip-fracture patients. The Expert Panel made 30 recommendations, grouped on the basis of urgency. The more time-sensitive recommendations included introducing best practices, aligning financial incentives with best practices, and enhancing the role for hospital-based outpatient rehabilitation. In mid-2013, the Rehabilitative Care Alliance, which replaced the Expert Panel, began refining the 30 recommendations for implementation.

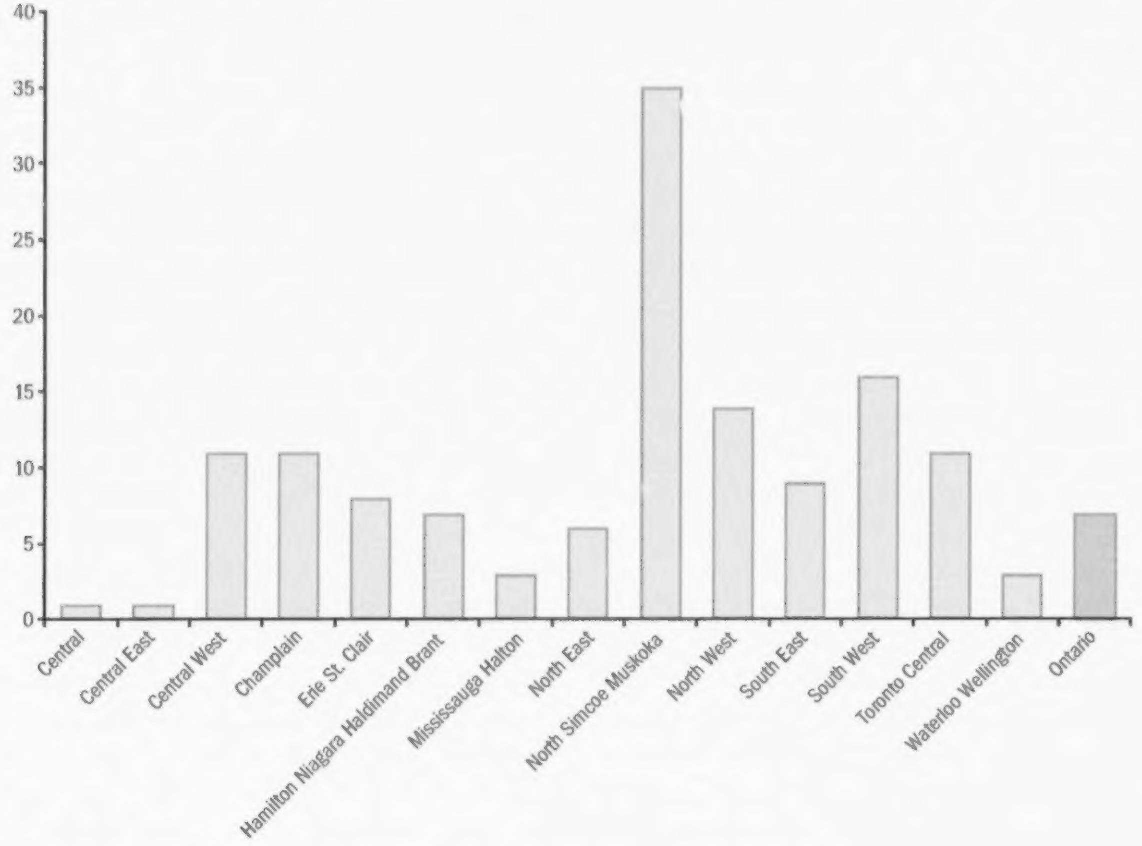
A report by the Ontario Hospital Association indicated that about 2,300 ALC patients occupied acute-care beds in the province as of March 2013. Of these, 16% were waiting for a regular rehabilitation bed and 9% for a CCC bed (CCC beds include restorative rehabilitation beds). Province-wide in the 2012/13 fiscal year, 7% of patients in an acute-care bed waited there over a week for a regular rehabilitation bed, as shown in Figure 3. This percentage varied across the LHINs, from a low of 1% in the Central and Central East LHINs to a high of 35% in the North Simcoe Muskoka LHIN. Despite the higher percentage of people waiting, the North Simcoe Muskoka LHIN had a similar number of beds per 100,000 people as the Central East LHIN, as shown in Figure 2. Further, the Champlain LHIN was experiencing longer-than-average waits despite having 20 beds per 100,000 people, the second-most of all LHINs.

Other people are waiting in rehabilitation beds for post-discharge care. The Ontario Hospital Association report indicated that, while waiting for care elsewhere, ALC patients occupied 13% of beds in post-acute-care facilities, such as regular rehabilitation, CCC and mental-health institutions. This percentage varied significantly across the province, from fewer than 1% of post-acute-care beds in the Mississauga Halton LHIN to 20% in the Toronto Central LHIN. About 5% of regular rehabilitation beds and 14% of CCC beds at the audited hospitals were occupied by ALC patients as of March 31, 2013. Most of these patients were waiting for a long-term-care home, supervised/assisted living or home-care services.

Turnaround time—the time to clean a room and admit a new patient—for rehabilitation beds is important because a patient in the emergency department awaiting an acute-care bed could have a lengthy wait while a patient in the acute-care bed is waiting to be moved to a rehabilitation bed. None of the hospitals we visited tracked the time it took to fill a vacated rehabilitation bed. However, they all indicated that it normally took less than a day because discharge dates are estimated beforehand, allowing for the admission of a new patient to be planned for the same or next day.

Figure 3: Patients Waiting Over One Week in an Acute-care Hospital Bed for Rehabilitation in 2012/13, by Local Health Integration Network (%)

Source of data: Ministry of Health and Long-Term Care



RECOMMENDATION 2

To better ensure that inpatient rehabilitation meets patients' needs as efficiently and equitably as possible, hospitals should:

- implement systems for accepting patient referrals and uploading associated patient data electronically;
- in conjunction with the Ministry of Health and Long-term Care (Ministry) and the Local Health Integration Networks (LHINs), develop standardized practices regarding patient eligibility for similar programs, prioritization of patients based on patient need, and the frequency and duration of therapy;
- track and monitor information on the amount of therapy actually provided to patients, the number of patients declined and the associated reasons, and the time it takes to fill a bed after a patient is discharged; and
- consistent with the *Health Insurance Act*, charge a co-payment only to restorative rehabilitation patients who are not expected to return home.

RESPONSE FROM HOSPITALS

The hospitals we visited all agreed with having systems in place to accept patient referrals and upload patient data electronically. One of the hospitals commented on the need for funding to implement such a system.

Two of the hospitals generally agreed with implementing standardized practices in the recommended areas, and one indicated that this should also be done in conjunction with the Rehabilitative Care Alliance as well as clinician-led condition-specific networks. The third hospital suggested developing best practices in these areas instead, because standardized practices may reduce the hospital's flexibility.

Although the hospitals generally agreed on the importance of tracking and monitoring this information, one hospital indicated that it would not be beneficial to track the amount of therapy actually received by each patient, because outcome measures—such as the patient's discharge destination and the change in the each inpatient's Functional Independence Measure (FIM) score—are more meaningful. Another hospital suggested that information on the amount of therapy provided to patients be tracked in conjunction with the Ministry of Health and Long-Term Care, to help ensure that the information is consistently collected across the province.

One of the two hospitals with restorative rehabilitation patients was already following the practice of charging a co-payment only to patients who were not expected to return home. The other hospital thought that the Ministry should clarify the intent of the legislation, to prevent having it interpreted differently by hospitals across the province.

MINISTRY RESPONSE

Although this recommendation was directed toward the hospitals, the Ministry will also review the tracking and monitoring recommendation and explore opportunities to refine standardized practices. This work will be undertaken in consideration of the work being conducted by the LHIN-led Rehabilitative Care Alliance (Alliance). The Alliance is uniquely positioned to propose tools that can be applied across the province to assist health-care providers in consistently determining patient eligibility, and to create tools that support the optimal management of transition points.

The Ministry will also provide a clarification on co-payment requirements, which will be issued through the LHINs to appropriate health-service providers.

OUTPATIENT SERVICES

Outpatient rehabilitation services are commonly used by patients with milder functional impairments, including after discharge from an acute-care or rehabilitation hospital. They are usually provided at hospital-based or other clinics or at the patient's home, including retirement homes and long-term-care homes, with a goal of improving patient functionality and, therefore, quality of life. However, other than for stroke programs, there are few best practice standards in Ontario for when therapy should start, how much therapy should be provided, what type of therapy should be provided, the length of therapy sessions and the number of weeks therapy should be provided.

Determining Eligibility for Outpatient Services

Most of the outpatient programs at the three hospitals we visited required patients to have a referral from a hospital physician. Two of the hospitals also accepted referrals from community physicians, such as family physicians, for some of their programs. When a referral is received at a hospital outpatient program, the application is reviewed by hospital staff—such as a triage nurse, a therapist or a group of therapists—to determine eligibility according to the hospital's criteria. There are no standardized provincial or LHIN-wide eligibility criteria for admission to outpatient programs in Ontario. At the three hospitals we visited, we noted that the eligibility criteria varied for similar programs. For example, one hospital's outpatient stroke program required external applicants to have a FIM score indicating only a mild functional impairment, which is consistent with the Expert Panel's suggestion. At another hospital, however, there was no requirement for a specific FIM score. We also found that there was no standardized tool used by the hospitals we visited to document the hospital's decision on whether to accept or reject the patient. At the three hospitals we visited, we found that the median time to determine outpatient eligibility from the date of referral ranged from the same day to five days to 19 days.

Waiting for Outpatient Services

After being deemed eligible, an applicant might not receive rehabilitation services right away if the location has a wait list. Two of the hospitals we visited had wait lists; the third did not have any patients waiting. Only one of the two hospitals with wait lists tracked wait times. At this hospital, the overall wait time from referral to rehabilitation was a median of 33 days. For one outpatient clinic location at the other hospital, our file review noted a median wait time of five days. This hospital told us that, at its other outpatient clinic location, patients had a wait time of about two years or more for some programs, such as for ongoing back and neck problems.

There is no provincial or LHIN-wide policy for prioritizing patients on wait lists: each hospital follows its own procedures. The policy at two of the hospitals we visited was to prioritize on the basis of who had been waiting the longest. The third hospital told us that its policy was to also consider factors such as the patient's medical issues and risk of falling, although the rationale to support decisions was not required to be documented. One of the hospitals prioritized internally referred patients over referrals from the community. Similarly, the 2011 GTA Rehabilitation Network report noted that 70% of orthopedic and stroke programs—the programs with the most patients—prioritized internal referrals over external ones, meaning that externally referred patients might wait longer.

Attending Outpatient Services

Once reaching the top of the wait list, patients can face challenges in attending outpatient services. These challenges include a lack of transportation to and from the outpatient facility, and few or no evening or weekend services for clients not able to attend programs on weekdays. Two of the three hospitals we visited did not offer outpatient rehabilitation services during evenings or on weekends. The third hospital offered some services at one of its two clinics until 7 p.m. from Monday to Thursday.

All three hospitals had information on the number of outpatients served and the total number of times patients saw rehabilitation staff. However, only one tracked information, at one of its two clinics, on whether each therapist was fully booked, how many appointments were cancelled by patients, and the extent of patient no-shows. This information was not summarized on an overall basis, but we noted that, from February 2012 to January 2013, cancellations per therapist ranged from 1% to 13% of appointments, and no-shows ranged from none to 6%.

Determining Impact of Outpatient Services

Whereas regular rehabilitation inpatients are assessed by FIM scoring at the beginning and end of treatment to determine their functional improvement, rehabilitation outpatients are not similarly assessed using a standardized measure. Therefore, there is little information on whether outpatient programs are effective. The Ministry indicated that the Rehabilitative Care Alliance is developing a standardized data set for Ministry-funded outpatient programs.

RECOMMENDATION 3

To better ensure that patients have timely access to required outpatient services, hospitals should:

- prioritize eligible patients based on need, rather than on other factors such as whether they were referred from the hospital's inpatient program or externally;
- assess the need for, and the costs and benefits of, providing evening and weekend services; and
- in conjunction with the Ministry of Health and Long-Term Care (Ministry) and Local Health Integration Networks (LHINs), develop standardized practices for common patient conditions, such as total joint replacements, regarding when to begin outpatient therapy, as well as the type and duration of therapy.

Further, hospitals should collect information to better ensure that available outpatient resources are utilized efficiently and effectively, such as information on the number of appointment cancellations and patient no-shows, and on the change in patient functionality between when outpatients start and when they complete outpatient rehabilitation.

RESPONSE FROM HOSPITALS

Although two of the hospitals agreed with prioritizing patients for outpatient services based on need, the third hospital indicated that this recommendation would be difficult to implement because patient need is not currently defined.

All three of the hospitals agreed with assessing the need for, and the costs and benefits of, providing evening and weekend outpatient services.

The three hospitals generally agreed with developing standardized outpatient practices for common patient conditions. One hospital indicated that this should also be done in conjunction with clinician-led condition-specific networks. Another hospital expected the Rehabilitative Care Alliance to conduct work in this area.

Although the hospitals agreed with the importance of collecting most of this outpatient information, two of the hospitals expressed concerns regarding monitoring the change in outpatient functionality. Both of these hospitals used various measures for monitoring this change, but one of these hospitals cautioned that it may be difficult to find one measure to capture this change. The other hospital thought that no such indicator currently existed and that it was more important to monitor whether outpatients achieved their goals.

MINISTRY RESPONSE

Although this recommendation was directed toward the hospitals, the Ministry is also committed to improving quality. One example of its efforts in this regard is the provincial assess-and-restore policy for frail older adults that is currently under development. In addition, the Rehabilitative Care Alliance (Alliance) is actively engaged in establishing a rehabilitative care approach for frail senior/medically complex populations to support "operationalization" of priority elements of the "Essential Elements of Assess and Restore Framework." As part of the work plan, the Alliance is developing a standard process for identifying and supporting timely navigation and entry of high-risk older adults with restorative potential to the most appropriate level of rehabilitative care.

Further, the Ministry will work with the LHINs, using an evidence-based approach, to assess the demand for and benefits of providing evening and weekend services.

COMMON CONDITIONS REQUIRING REHABILITATION

As part of our audit, we focused particularly on two specific conditions requiring rehabilitation—stroke and total joint replacement, including hip and knee replacements—because they account for the largest number of admissions to inpatient rehabilitation services, at 15% and 18%, respectively.

Stroke

Stroke is the leading cause of adult disability in Canada. A stroke can affect various basic functions such as speech, sight, memory and the ability to walk. According to the Ministry, over 90,000 Ontarians currently live with the effects of stroke, and stroke survivors are usually left with some degree of disability.

The Ontario Stroke Network (OSN), created in 2008, receives funding from the Ministry to provide leadership and co-ordination for Ontario's 11 Regional Stroke Networks, including stroke prevention clinics and Ontario Stroke centres, which are hospitals specializing in stroke treatment. All have a goal of decreasing the incidence of stroke; ensuring that Ontarians have access to appropriate, quality care in a timely way; and improving care and outcomes.

In 2011, the OSN established the Stroke Reference Group, which recommended a series of stroke-rehabilitation and patient-flow best practices, including those shown in Figure 4. The recommendations were accepted in November 2011 by the Rehabilitation and Complex Continuing Care Expert Panel. In January 2013, the Stroke Clinical Advisory Expert Panel at Health Quality Ontario—a provincial government agency that, among other things, evaluates the effectiveness of new health-care technologies and services—made similar recommendations with respect to the timely transfer of patients and greater intensity of therapy.

The OSN's 2012 report, *The Impact of Moving to Stroke Best Practices*, estimated that savings in the acute-care and inpatient rehabilitation sectors arising from full implementation of these best practices could reach $20 million per year. This report also indicated that incorporation of these best practices would have a positive impact on patient outcomes. Hospitals can decide whether to follow all, some or none of these best practices. We noted that both of the hospitals we visited that had stroke programs were implementing some of these best practices.

We noted the following with respect to the Stroke Reference Group's recommendations.

Timely Transfer

According to the *Ontario Stroke Evaluation Report 2013* prepared by the Ontario Stroke Network, the Canadian Stroke Network and the Institute

Figure 4: Selected Best Practices for Stroke Rehabilitation and Patient Flow

Source of data: Ontario Stroke Network

Timely transfer	Timely transfer of appropriate patients from acute-care facilities to rehabilitation: Ischemic stroke patients should be transferred to rehabilitation within five days of their stroke on average and hemorrhagic stroke patients within seven days on average. (Ischemic strokes, accounting for 80% of all cases, are caused by an interruption of blood flow to the brain. Hemorrhagic strokes, accounting for the remaining 20%, occur when blood vessels in the brain rupture.)
Greater-intensity therapy	Provision of greater-intensity therapy in inpatient rehabilitation: Stroke patients should receive three hours of therapy a day—one hour each of physiotherapy, occupational therapy and speech language pathology—seven days per week.
Timely outpatient (hospital- or community-based) rehabilitation	Timely access to outpatient (either hospital- or community-based) rehabilitation for appropriate patients: This includes two to three outpatient visits or visits by CCAC health professionals per week per required discipline for eight to 12 weeks.
Equitable access	Equitable access to all necessary rehabilitation for all rehabilitation candidates.

for Clinical Evaluative Sciences, in the 2011/12 fiscal year, province-wide, it took a median of 10 days from the time of a patient's stroke for him or her to be transferred to rehabilitation. One of the two hospitals we visited that had a stroke program reported a median of 16 days in 2011/12, while the other's median time was 13 days. Both hospitals told us that timing of transfers was affected by the acute-care hospital's reluctance to transfer patients earlier because they were considered to be medically unstable.

In March 2013, Health Quality Ontario released its review of the available research on the optimal time to access rehabilitation after a stroke. The report concluded that, until better evidence is available, rehabilitation ought to be initiated as soon as the patient is ready for it. However, the report noted that 19% of stroke patients remained in an acute-care hospital longer than necessary while waiting for access to an inpatient rehabilitation bed.

Greater-intensity Therapy

Although there is expert consensus recommending that stroke inpatients receive three hours of rehabilitation per day, the research currently available on the intensity of stroke rehabilitation is mixed. In fact, Health Quality Ontario's March 2013 review of related research concluded that the functional recovery of patients is not greater with more rehabilitation per day than with the standard amount of rehabilitation. However, the review recognized that there was some discrepancy between these results and the opinions of some experts in the field of stroke rehabilitation. For this reason, Health Quality Ontario planned to undertake a full analysis of this topic. The OSN has noted that increasing therapy intensity may shorten the patient's length of stay in hospital, and thereby decrease costs.

Similar to other types of rehabilitation, at the hospitals we visited, the amount and type of stroke therapy that each patient receives is based on the professional judgment of his or her therapists. Neither of the hospitals we visited that had a stroke program tracked how much therapy each patient received. However, one hospital had begun to track the total hours of therapy provided to all stroke patients—though not the hours per patient. It told us that it was not yet meeting its goal to provide three hours of therapy per patient per day. The other hospital had no such goal. A 2010 report by the GTA Rehab Network included the results of a province-wide survey of stroke programs. We noted that only three of the 12 regular rehabilitation stroke programs and three of the five restorative rehabilitation stroke programs that responded to the survey provided the recommended amount of therapy.

One Ontario stroke expert noted in 2008 that leaving the amount of therapy each patient is to receive and the delivery of that therapy to the therapist's discretion appears to result in less direct patient-therapy time and tends to produce less-than-optimal outcomes. As mentioned earlier, in the United States, for Medicare-eligible rehabilitation inpatients, therapists are required to record face-to-face interactions with stroke patients in 15-minute increments, and managers ensure that patients receive three hours of therapy per day. On the basis of 2011/12 data in the Ontario Stroke Evaluation Report and 2012 US eRehab data, we noted that even though the Medicare-eligible rehabilitation inpatients' increase in functionality was similar to that of Ontario stroke inpatients, their length of stay in hospital was only about half that of the Ontario patients. (The U.S. patients generally had a lower functionality when they started inpatient rehabilitation compared to the average for Ontario stroke patients, which might influence their rate of increased functionality over that time period.)

Timeliness of Outpatient (Hospital- or Community-based) Rehabilitation

We found that there is a general lack of information available about access province-wide to stroke outpatient and/or community-based rehabilitation. According to the *Canadian Best Practice Recommendations for Stroke Care*, the suggested best practice for outpatient rehabilitation for stroke is to start any needed rehabilitation within 48 hours of discharge from an acute care hospital or within 72 hours of discharge from inpatient rehabilitation. One of the two hospitals we visited that had a stroke program reported that it took an average of 31 days from referral until the patient started his or her outpatient rehabilitation. The other hospital did not have a wait list for its outpatient stroke program.

The *Ontario Stroke Evaluation Report 2013* found that the extent of services provided through the CCACs was low and likely inadequate to help those having difficulty living independently. The CCACs provided, on average, only about four sessions of rehabilitation for each patient over an eight-week period, as compared to the two to three visits per week per type of therapy over an eight- to 12-week period recommended by the Expert Panel.

Neither of the two hospitals we visited that had stroke programs monitored whether it was providing two to three visits per week by each type of therapist—such as physiotherapist, occupational therapist and speech language pathologist—for eight to 12 weeks.

We noted the existence of a successful program in Calgary called the Early Supported Discharge Program, which was implemented as part of the Calgary Stroke Program in 2011. The goal of the program is to discharge patients with mild or moderate strokes directly to the patient's home, with the same rehabilitation therapy at home—starting within one or two days of discharge—as they would have otherwise received in hospital. The program estimated savings of about $1.8 million annually for about 160 patients. In Ontario, one LHIN proposed in May 2013 to pilot a new Community Stroke Rehabilitation Model that will provide early supported discharge from hospital. It will focus on transitioning patients to their homes, which could reduce the length of acute-care hospital stays after a stroke.

Equitable Access

According to the OSN report *The Impact of Moving to Stroke Best Practices in Ontario*, data suggests that many patients are unable to access the rehabilitation services they need. The best available estimates suggest that approximately 40% of stroke patients are candidates for inpatient rehabilitation when discharged from acute care, yet less than 25% were discharged to inpatient rehabilitation in the 2010/11 fiscal year.

Further, although the Stroke Reference Group estimated that all patients discharged from an inpatient rehabilitation program would require outpatient rehabilitation, the *Ontario Stroke Evaluation Report 2013* states that approximately 33% of these patients were sent home without outpatient services in 2011/12.

The OSN reports also noted that "perhaps the most troubling finding in this report was the extent to which patients with very high levels of function are admitted to, or remain in, inpatient rehabilitation in Ontario." The *Ontario Stroke Evaluation Report 2013* noted that approximately 19% of all inpatient rehabilitation admissions are patients with mild functional impairment from their stroke, who, according to the Expert Panel and other research, can generally be cared for in an outpatient setting. The report suggested that the reason these patients were admitted to inpatient rehabilitation might be the low number of outpatient and community-based rehabilitation resources. The Expert Panel recommended that patients with an initial FIM score of 80 or more (indicating mild functional impairment) go directly from acute care to outpatient rehabilitation, rather than to an inpatient rehabilitation program. However, at the two hospitals we visited that had stroke programs, we noted that approximately one-third of patients admitted to inpatient rehabilitation had been assessed by the acute-care hospital as having mild functional impairment, suggesting that they might have been better served as outpatients. One hospital told us that this was because of a shortage of available outpatient services, as well as because certain patients with dementia are better served as inpatients.

RECOMMENDATION 4

To better ensure that stroke patients receive rehabilitation services that address their needs and that rehabilitation resources are used efficiently, the Ministry of Health and Long-term Care (Ministry) should work with the Local Health Integration Networks (LHINs) to implement, at least on a pilot basis, the stroke-rehabilitation and patient-flow best practices, including those relating to timely access and the extent of therapy, accepted by the Ministry's Rehabilitation and Complex Continuing Care Expert Panel.

MINISTRY RESPONSE

The Ministry agrees with the recommendation and will explore opportunities, where appropriate, to examine best practices for patient flow. The Ministry is an active partner of the Rehabilitative Care Alliance (Alliance)—a group that is endorsed and funded by the 14 LHINs, and that is tasked with building on the Rehabilitation and Complex Continuing Care Expert Panel's Conceptual Framework for rehabilitative care planning.

In addition, through Health System Funding Reform, quality-based procedures for stroke and total joint replacement have been defined as part of best practices for the continuum of care, including the rehabilitation phase.

Total Joint Replacement

Total joint replacements—that is, total hip and knee replacements—are among the most commonly performed surgical procedures in Ontario. In the 2010/11 fiscal year, more than 17,000 hip-replacement and almost 22,000 knee-replacement surgeries were performed in the province. Following surgery, physiotherapy rehabilitation or exercise programs are a standard treatment to maximize a person's functionality and independence. They generally consist of various exercises, including transfer training—such as getting on and off a chair, or in and out of a car—walking training and instruction in activities of daily living. As with most other types of rehabilitation, there are no commonly accepted best practices province-wide; therapists treat patients on the basis of their professional judgment. As the Ministry expressed it in a 2012 report: for total joint replacement, "practice variation in community rehabilitation is widespread with limited evidence-based standards for determining a successful community rehabilitation episode."

We noted that the number of regular rehabilitation inpatient admissions for total joint replacement has decreased from about 9,700 in 2007/08 to 3,900 in 2012/13. In addition, as of December 31, 2012, acute-care hospitals across the province were generally meeting the Ministry's 4.4-day target for discharging patients after hip and knee surgery, and over three-quarters had met the target of at least 90% of these patients returning home. One of the hospitals we visited indicated that it closed six rehabilitation beds as a result of more patients being discharged home for rehabilitation instead of to inpatient rehabilitation. The other two hospitals had not closed rehabilitation beds; rather, these beds were available for patients with other conditions who needed them.

One of the hospitals we visited had established a new outpatient program to help address the expected increase in outpatients. The other two hospitals we visited had wait lists for their associated outpatient programs.

PERFORMANCE MONITORING

All three hospitals we visited monitored their performance and maintained oversight of their services through two committees that reported to their boards of directors. Their medical advisory committees, composed of medical staff, have the goal of ensuring the quality of care provided by physicians. Their quality of care committees, composed of several members of their boards of directors and senior hospital staff, monitor the quality of patient care, resolve issues and make recommendations to improve the quality of care.

As well, all three hospitals had established performance measures for their rehabilitation services and had systems in place to monitor and report on this information to senior management and their boards of directors. At two of the hospitals, this performance information was also available on the intranet.

The performance measures tracked at each hospital varied, and included information such as the number of inpatient rehabilitation cases, the percentage of patients discharged home, and the average change in regular inpatients' functional score from admission to discharge. This variation in performance measures limits the ability of hospitals, the LHINs and the Ministry to compare performance and thereby identify better rehabilitation practices.

Each hospital also had performance measures and processes in place related to patient safety, including incident reports and the number of patient falls. However, although all the hospitals we visited required incidents to be followed up on, the hospitals had different interpretations of incidents and reporting requirements. One of the hospitals appeared to take incident reporting quite seriously: it identified more than 800 falls and a total of almost 1,500 incidents in the course of the year. At one hospital we visited, 35% of the incidents sampled either were not reviewed within a week as required at that hospital, or the review date was not documented, so it was not possible to determine how long it took to complete the review. Another hospital had no time requirement for reviewing incidents, leaving the time frame up to the rehabilitation manager's professional judgment. At this hospital, we found that from April 2011 to September 2012, management usually took a median of eight days for review. At the third hospital, the time for management to review an incident was required and documented only for medication incidents. We noted that most medication incidents sampled at this hospital were not reviewed by senior management within a maximum of six days, as required by this hospital's policies. Subsequent to our fieldwork, this hospital implemented an electronic system for tracking incidents, which the hospital indicated has addressed this issue.

Another important factor in performance monitoring is determining the level of patient satisfaction. Doing so can help hospitals identify areas that need improvement. The *Excellent Care for All Act, 2010* (Act), requires that this be done annually. Each of the hospitals we visited had processes in place to survey inpatient satisfaction, and two also conducted surveys of outpatients. Survey results were generally positive. One hospital also contacted caregivers to determine how well they were managing after the patient returned home. However, none of the three hospitals surveyed patients' caregivers who had contact with the hospital in order to determine their satisfaction in connection with the services provided to the patient, which is also a requirement of the Act.

RECOMMENDATION 5

In order to enhance the performance of hospitals providing rehabilitation services, hospitals should:

- in conjunction with the Ministry of Health and Long-term Care (Ministry), develop standardized performance measures that will provide hospitals with useful and comparative information, such that they can benchmark their performance against other hospitals and better identify areas, if any, requiring improvement; and
- survey patient caregivers, as required under the *Excellent Care for All Act, 2010* (Act), and conduct outpatient satisfaction surveys.

RESPONSE FROM HOSPITALS

All three of the hospitals agreed with developing standardized performance measures that can be used to benchmark Ontario hospitals against each other. One of the hospitals was already comparing certain performance information with selected hospitals in Ontario and other provinces. Another hospital indicated that hospitals within its Local Health Integration Network (LHIN) are now comparing some performance information.

Although all three hospitals generally agreed with surveying caregivers, as required under the Act as well as outpatients, one commented that this was not a priority.

MINISTRY RESPONSE

Although this recommendation was directed toward hospitals, the Ministry supports the Rehabilitative Care Alliance in developing a standardized rehabilitative care evaluation framework and set of tools, which will include a list of indicators that can be used by organizations to evaluate rehabilitative care system performance. This undertaking will incorporate standardized patient outcome and/or performance measure criteria for each level of care across the rehabilitative care continuum.

As well, the Ministry and the LHINs will work together to ensure that appropriate accountability processes are followed with regard to compliance with the Act.

Glossary

alternate level of care (ALC)—ALC patients are ready to be discharged but are waiting in hospital for post-discharge care. This can include waiting in an acute-care hospital for a rehabilitation bed, and waiting in a rehabilitation bed for home-care services or placement in a long-term-care home.

Canadian Institute for Health Information (CIHI)—CIHI develops and maintains comprehensive and integrated health information, including information collected from the National Rehabilitation Reporting System for rehabilitation hospitals.

Community Care Access Centres (CCACs)—Among other things, CCACs co-ordinate services for seniors, people with disabilities and people who need health-care services to help them live independently in the community. They also co-ordinate long-term-care home placement and may determine eligibility for certain complex continuing care and rehabilitation beds. There are 14 CCACs across the province, one for each Local Health Integration Network.

complex continuing care (CCC)—CCC is hospital-based care that includes continuing, medically complex and specialized services, such as restorative rehabilitation.

Functional Independence Measure (FIM)—The FIM measures the level of a patient's physical and cognitive disabilities, and also indicates how much assistance is required to carry out various activities of daily living, such as eating, washing, dressing and toileting.

GTA (Greater Toronto Area) Rehab Network—The GTA Rehab Network's membership consists of publicly funded hospitals and community-based organizations from across the GTA that are involved in the planning and provision of rehabilitation services. One area of focus is promoting best practices and knowledge exchange.

Health Quality Ontario (HQO)—HQO is a provincial agency that evaluates the effectiveness of new health-care technologies and services, reports to the public on the quality of the health-care system, supports quality improvement activities and makes evidence-based recommendations on health-care funding.

Local Health Integration Networks (LHINs)—LHINs are responsible for prioritizing and planning health services and for funding certain health-service providers, including hospitals and CCACs. There are 14 LHINs, representing 14 different geographic areas of Ontario; each LHIN is accountable to the Ministry of Health and Long-Term Care. Each hospital and CCAC is directly accountable to its LHIN, rather than to the Ministry, for most matters.

National Rehabilitation Reporting System (NRS)—The NRS collects data from participating adult inpatient rehabilitation facilities and programs across Canada, including specialized facilities, hospital rehabilitation units and hospital rehabilitation programs.

Ontario Disability Support Program (ODSP)—ODSP, also known as social assistance, provides income and employment assistance to people with disabilities who are in need. This may be longer-term in nature. Financial assistance is provided to help pay for living expenses, such as food and housing. Employment assistance is provided to help people who can work prepare for, find and keep a job.

Ontario Hospital Association (OHA)—The OHA advocates on behalf of its members, including about 150 hospitals. Among other things, it strives to deliver high-quality products and services, to advance and influence health-system policy in Ontario, and to promote innovation and performance improvement of hospitals.

Ontario Stroke Network (OSN)—The OSN, created in 2008, receives funding from the Ministry of Health and Long-Term Care to provide leadership and co-ordination for Ontario's 11 Regional Stroke Networks, whose membership includes stroke prevention clinics and Ontario stroke centres. All have a goal of decreasing the incidence of stroke and ensuring that Ontarians have access to quality care.

Ontario Works—Also known as social assistance, Ontario Works provides financial and employment assistance for people who are in temporary need. Financial assistance is provided to help pay for living expenses, such as food and housing. Employment assistance is provided to help people prepare for and find a job.

physiatrist—A medical doctor specializing in physical medicine and rehabilitation.

regular rehabilitation—Inpatient rehabilitation that is shorter term, with frequent rehabilitation sessions. It is also known as high tolerance short duration rehabilitation.

rehabilitation—While definitions of rehabilitation vary, the Rehabilitative Care Alliance is working on establishing a provincial definition. According to the GTA Rehab Network, "Rehabilitation helps individuals to improve their function, mobility, independence and quality of life. It helps individuals live fully regardless of impairment. It helps people who are aging or living with various health conditions to maintain the functioning they have."

Rehabilitative Care Alliance (Alliance)—Taking a system-wide view of rehabilitation in Ontario, the Alliance reports to the LHINs and works with the Ministry of Health and Long-Term Care, the CCACs and experts on various projects, such as improving system accessibility and defining best practices. Established in October 2012, the Alliance replaced the Rehabilitation and Complex Continuing Care Expert Panel, a sub-committee of the Ministry's Emergency Room/Alternate Level of Care Expert Panel.

Rehabilitation and Complex Continuing Care Expert Panel—This Expert Panel comprised rehabilitation experts and stakeholders from across Ontario. Formed to re-think the delivery of rehabilitation and complex care across the continuum, it provided advice and guidance to the Ministry's Emergency Room/Alternate Level of Care Expert Panel on how best to reduce ALC lengths of stay throughout the system. The Rehabilitative Care Alliance replaced this Expert Panel.

Resident Assessment Instrument—Minimum Data Set (RAI-MDS)—A standardized common assessment instrument used to assess and monitor the care needs of restorative rehabilitation patients in areas such as cognition, communication, behaviour and toileting.

Resource Matching and Referral System—A system developed to help match hospital patients to the earliest available bed in the most appropriate setting, including both regular and restorative rehabilitation beds, as well as beds in long-term-care homes.

restorative rehabilitation—Inpatient rehabilitation that is longer term in nature for people unable to participate in frequent sessions. It is also known as slow-paced rehabilitation or low tolerance long duration rehabilitation.

Stroke Reference Group—Established by the Ontario Stroke Network, the Stroke Reference Group consists of rehabilitation experts and stakeholders from across the province.

Chapter 3

Ministry of Government Services

Section 3.09

ServiceOntario

Background

ServiceOntario is a distinct and separate part of the Ministry of Government Services (Ministry) that, since 2006, has had a mandate to provide centralized service delivery to individuals and businesses seeking government information and to process routine transactions such as registrations and licensing. It is one of the largest and most diverse government customer service operations of its kind in North America. It administers several programs involving:

- vital events, such as birth, marriage and death certificates;
- business services, including company registration;
- personal property security registration and services, such as liens on vehicles; and
- land registration, searches and title services.

ServiceOntario delivers these services in-house, except for an arrangement with Teranet Inc. (Teranet), which has been under contract since 1991 as the exclusive provider of Ontario's Electronic Land Registration System.

ServiceOntario also provides for 14 other ministries high-volume, routine transactions, most significantly driver licensing renewals and vehicle registration, transferred from the Ministry of Transportation (MTO) in 2007; and health-card renewal and registration, transferred from the Ministry of Health and Long-Term Care (Health) in 2008.

Other products and services provided by ServiceOntario include:

- outdoors cards and fishing and hunting licences for the Ministry of Natural Resources;
- intake services on behalf of some ministries, such as payments to the Minister of Finance; and
- operating contact centres for various ministries, including Labour and Finance.

Service-level agreements with the ministries set out the roles and responsibilities transferred to ServiceOntario and those that remain with the transferring ministry. ServiceOntario provides its services under a legislative framework involving more than 30 statutes.

ServiceOntario handles transactions primarily through two delivery channels: Internet or online access; and in-person service centres, which include 82 sites operated by ServiceOntario itself and 207 privately operated service provider sites. In addition, it provides information and referral services through its website and through seven ServiceOntario-operated telephone contact centres in Toronto, Oshawa, Thunder Bay and Kingston. Mail is also used to a lesser extent to receive applications and deliver products such as licences and permits. As well, for several years ServiceOntario self-service kiosks were available at 71 locations, typically in malls. ServiceOntario discontinued kiosks in 2012, primarily due to security concerns.

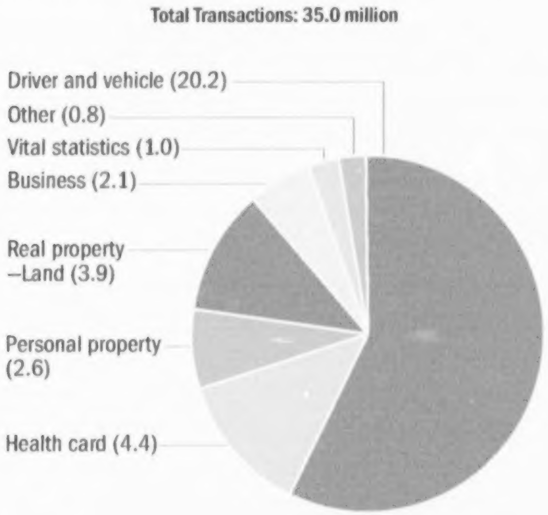
In the 2012/13 fiscal year, ServiceOntario handled more than 35 million transactions, as shown in Figure 1. In-person service centres accounted for 70% of the transactions, and 30% were done over the Internet. ServiceOntario also handled about 12 million requests for information and referrals—55% of these were made online, 38% through the telephone contact centres and 7% at its in-person service centres.

In 2012/13, ServiceOntario, which has a staff of approximately 2,000, collected $2.9 billion in revenues, including $1.1 billion under MTO's driver's licence and vehicle registration programs and $1.5 billion under the land transfer tax program. ServiceOntario's expenditures totalled $289 million, 55% of which was spent by its Customer Care Division on operating costs for its in-person service centres and telephone contact centres, and on commissions for its private operators.

Changes made by ServiceOntario over the years have been driven by government direction, often as announced in the province's annual budget, and guided by its internal strategic planning process. These changes have included developing the ServiceOntario brand name as a recognized customer-centred gateway for government service; improving and streamlining back-office operations and technology; integrating services for the public and businesses; making more services available online; improving service levels and timeliness of services, including offering money-back guarantees and premium options for certain services; and seeking out cost efficiencies in service delivery. In addition, since 2011, the government has directed ServiceOntario to explore opportunities for alternative service delivery, including greater private-sector involvement and capital investment.

Figure 1: Number and Type of Transactions Handled, 2012/13 (million)

Source of data: ServiceOntario



Audit Objective and Scope

Our audit objective was to assess whether ServiceOntario had adequate systems and procedures in place to:

- provide the public with one-stop access to government information and routine transactional services in a timely manner with due regard for economy and efficiency and in compliance with legislation and program policy; and
- measure and report on the effectiveness of service delivery.

Senior management at ServiceOntario reviewed and agreed to our audit objective and criteria.

Our audit work included interviews with ServiceOntario management and staff, as well as reviews and analysis of relevant files, registration and licensing databases, and policies and procedures at ServiceOntario's head office, in-person service centres, contact centres and back-office operations across the province. We visited 14 ServiceOntario in-person service centres, including both publicly and privately run sites; three telephone contact centres; Teranet; and the service provider that manufactures and distributes photo identity cards, including driver's licences and health cards.

We interviewed several stakeholders who are major users of registration programs operated by ServiceOntario. We met with senior personnel from Health and MTO to solicit their views on their partner relationship with ServiceOntario. We conducted research into similar programs in other provinces and foreign jurisdictions. We also engaged an independent expert on public service delivery.

Summary

Notwithstanding its substantial accomplishments in centralizing services, ServiceOntario needs to improve in several key areas. It needs to continue to strengthen its systems and procedures in order to reduce service delivery costs, effectively monitor service levels and customer satisfaction, and reduce its risks in issuing and managing licences, certifications, registrations and permits. In particular, ServiceOntario's Audit Oversight Unit had identified, and was working on addressing, an error rate for processing transactions that was too high at many of its in-person service centres.

We noted no significant backlogs or delays with most services provided by ServiceOntario, and ServiceOntario is generally meeting certain service-level targets, which were for the most part at reasonable levels compared to other provinces. Ontario was the first jurisdiction in North America to offer money-back guarantees on the prompt processing and delivery of some services, including birth and marriage certificates and personalized licence plates. ServiceOntario fulfills its goals on these transactions virtually 100% of the time. However, if ServiceOntario is to further improve the delivery of cost-effective services to Ontarians, action is needed in the following areas:

- In the 2012/13 fiscal year, only 30% of ServiceOntario transactions were done online, well short of ServiceOntario's forecast of 55% to 60%. Further savings could be achieved if ServiceOntario had an effective strategy to encourage people to switch to doing business online instead of in person. For instance, we estimated that ServiceOntario's operating costs would decrease by approximately $2.9 million annually if 50% more licence plate sticker renewals were done online.
- ServiceOntario has made improvements to its website services, but its online customers' satisfaction rating has remained at 71% to 75% since 2009/10.
- ServiceOntario rated 43% of its 289 in-person service centres as high-risk locations because of the number of processing errors uncovered by its audits. These ranged from incorrect financial charges to missing signatures on health-card applications to renewing the wrong licence plate number or transferring a vehicle to a name other than the one on the application.
- In the fourth quarter of 2012/13, 98% of clients surveyed at in-person service centres reported they were either satisfied or very satisfied with the services they received. However, site managers are notified of the surveying days in advance, and counter staff are aware that clients could be questioned, which could skew the results on those days, making the survey of questionable value.
- ServiceOntario did not measure or report on the customer wait at peak times or at specific service centres, which often far exceeded its target time of 15 minutes.
- In 2012/13, none of ServiceOntario's seven telephone contact centres met its service standards for answering calls. The range of success in answering calls within targeted times was 51% to 77%, compared to its goal of 80%. This may be reflected in survey results that found the customer satisfaction level was 64% in the fourth quarter of 2012/13, down from the 70% maintained for several quarters previously. Clients' satisfaction level for timeliness of service was only 52%, down from 65%.

- ServiceOntario was still charging fees over and above what it costs to run certain registration programs. (A 1998 Supreme Court of Canada decision concluded that user fees could be repayable if the amounts charged were excessive and did not have a reasonable relationship to the cost of the services provided.) As well, user fees did not cover the full cost of certain other programs as required by government policies and guidelines.
- ServiceOntario had no plans in place to stop printing birth certificates on paper and switch to higher-security polymer (plastic) documents and a new design to minimize identity theft, forgery and loss, as recommended by the Vital Statistics Council for Canada. Eight other provinces have already switched to polymer documents.
- Significant fraud risk still exists 18 years after the government announced its plan to reduce costs by replacing the red-and-white health card, which has no expiry date, with the more secure photo health card. As of August 1, 2013, 3.1 million red-and-white cards remained in circulation, or 23% of the total of 13.4 million health cards issued in Ontario. The conversion rate has declined by about 45% since ServiceOntario assumed responsibility from Health in 2008. Full conversion is not expected until 2018.
- We estimated that as of March 31, 2013, approximately 1,500 people in Ontario had been issued duplicate health cards, increasing the risk of misuse. As well, more than 15,000 active health cards (including 6,000 red-and-white cards) and 1,400 driver's licences were circulating in the names of people who were reported to ServiceOntario as deceased.
- We also estimated that as many as 800,000 people with red-and-white health cards had old addresses attached to those cards compared to their driver's licence records. ServiceOntario did not cross-reference basic information such as addresses in databases even though they process both types of transactions. As well, approximately 166,000 active heath cards, including 144,000 of the red-and-white cards, were listed in the database as not having current addresses for the cardholders. This means there was no way to determine whether cardholders were residents of Ontario and thus eligible for coverage.
- ServiceOntario had weak processes for issuing and controlling accessible parking permits to ensure they were not being misused by people who did not require them.
- ServiceOntario staff did not verify that people registering large commercial farm vehicles—who are charged a reduced rate compared to individuals registering other commercial vehicles—were indeed farmers. An applicant merely had to tick a box on a form identifying that he or she was a farmer. We estimated that this weakness could be costing the province about $5 million annually in lost commercial vehicle registration fees.
- ServiceOntario did not obtain independent assurance that the performance reports on the province's land registry system operated by Teranet were complete and accurate, and that disaster recovery plans and security measures were validated routinely.

OVERALL SERVICEONTARIO RESPONSE

ServiceOntario appreciates the work of the Auditor General and her staff, and the valuable observations and recommendations provided as a result of this audit. We recognize that our transformational agenda is not yet complete. Promoting greater adoption of electronic services is a foundational component of our ability to drive service delivery change within government. We remain committed to championing and promoting the benefits of the online channel to our clients and ministry partners at every opportunity.

We will continue to operate in a cost-effective manner and leverage existing funds wisely, recognizing that some recommendations, such as examining the benefits and cost savings from introducing a smart card, may require additional investment.

As well, ServiceOntario will continuously improve oversight of the service delivery network. We will explore with ministry partners and consult with the Office of the Information and Privacy Commissioner to find acceptable ways for additional information-sharing, including short-term opportunities related to name changes.

All of these efforts are consistent with ServiceOntario's three key strategic priorities: to provide customer service excellence, to find cost savings and to protect the integrity of the programs we deliver.

Detailed Audit Observations

SERVICE DELIVERY COSTS

Use of Internet

To reduce costs, ServiceOntario is attempting to get Ontarians to complete as many eligible driver, vehicle and health-card transactions as possible online, rather than by visiting service centres in person. However, for the most common ServiceOntario transactions—issuing and renewal of a driver's licence or health card, vehicle registration and licence plate sticker renewal—people still most often go to service centres in person.

In its 2008 strategic plan, ServiceOntario forecast that 55% to 60% of all its transactions would be completed over the Internet by 2012. It wanted to reduce the number of transactions at in-person service centres to 30%, with the remainder handled at kiosks, which were subsequently closed in 2012 primarily due to security concerns. However, our audit found that ServiceOntario fell short of these targets. In 2012/13, 70% of all transactions were still done at in-person service centres and only 30% were done online. In fact, in-person transactions increased from 68% in 2011/12, mainly because the ServiceOntario kiosks were shut down. The majority of kiosk users switched to visiting in-person service centres rather than completing their transactions online.

ServiceOntario offers a number of driver and vehicle transactions online—most recently allowing qualified motorists to renew licences through its website. People who want to register changes of address, renew licence plate stickers, order personalized plates, order vehicle records or request used-vehicle information packages also may do so online. (With licence plate sticker renewals, people can complete the information and payment parts of the transactions online, and the stickers are then mailed to them within five business days.) However, it's clear that most people prefer to visit in-person service centres, where they receive personal assistance with these transactions. Of 20 million driver and vehicle transactions in 2012/13, approximately 900,000 (less than 5%) were completed online. Of approximately 6.6 million licence plate sticker renewals in 2012/13, almost 90% were done at in-person service centres.

It would save the government a significant amount of money if people could be persuaded to switch to online transactions. For example, ServiceOntario calculates that the direct cost to the government of a licence plate sticker renewal transaction online is $2.91, compared to $3.84 at a privately run in-person service centre and an average cost of $8.70 at a location operated by ServiceOntario. We estimate that if 50% more of these transactions were completed online, the government would save approximately $2.9 million annually. In addition, if more transactions were processed online, over time the cost per Internet transaction would decrease due to economies of scale.

ServiceOntario's success in having more people use the Internet has occurred primarily where, as with land registration and personal property security transactions, it has made the service available only online. Approximately 60% of ServiceOntario's 10.2 million website transactions occur for services that are available only online. In contrast, only 15% of people who had a choice opted for online transactions.

We noted that ServiceOntario has not extensively studied why Ontarians prefer to use in-person service centres instead of its online option. One reason might be that people prefer to have their documents, such as a registration, permit or licence, handed to them when they complete the transaction, rather than wait for delivery by mail at a later date. For instance, we noted that some other provinces and several American states no longer require that an annual validation sticker be attached to licence plates. The vehicle owner must still renew the plate registration annually and pay the fee, but this can easily be done online. The fact that there is no sticker eliminates the part of the transaction that may be discouraging people from using the online renewal method, particularly if they wait until the last minute—their birthday—to renew.

Another way to persuade people to do their transactions online would be to offer discounts on the website, or, conversely, charge higher fees for in-person services. As noted, it costs less to process transactions online, but these savings are not passed on to clients. ServiceOntario has no clear strategy on setting fees, either for programs it fully administers or for those it administers with other ministries, to encourage greater Internet usage. During the 2013 Ontario Budget process it proposed to the Minister of Finance that it raise fees for in-person transactions, but such increases were not approved. Currently, only ServiceOntario's business registration fees are structured this way. A premium ranging from 13% to 33% for some business transactions had been set prior to ServiceOntario's establishment in 2006. For example, it costs $300 to register the incorporation of a business online, and $360 if done by mail or at an in-person service centre.

In-person Service Centres

In addition to trying to redirect transactions to the Internet, ServiceOntario developed a retail operations optimization plan to streamline over-the-counter procedures and find cost savings by closing some of the in-person service centres it operates or by altering operating hours and improving staff productivity.

Of the 289 in-person service centres, ServiceOntario operates 82; the other 207 are owned by private operators who are paid a commission for each transaction they process. In 2012/13, the in-person service centres processed almost 25 million transactions, with 80% handled by the private operators. There is a significant difference in cost per transaction between the sites ServiceOntario runs itself and those run by private operators. The Ministry calculated that the average cost of transactions at its publicly run sites was $9.92, compared to the overall average commission of $3.30 per transaction paid to operators of privately run sites.

In addition, the operating costs of each publicly run service centre varied significantly, with the average cost of transactions at individual sites across the province ranging from $5 to $21. While we expected that rural and northern publicly run sites would have higher operating costs, we also found that many publicly run sites in large cities had relatively very high costs.

A number of factors contribute to the higher transaction costs at publicly operated in-person service centres. Publicly run in-person service centres generally are more costly to operate because they often have larger premises to maintain and greater overhead costs, including higher wages paid to more full-time staff. ServiceOntario pays a set commission rate to privately operated centres, which are typically small businesses that keep their overhead costs, including wages to staff, at levels that enable their owners to make a profit.

ServiceOntario limits services offered at privately operated in-person service centres to primarily high-volume health-card and driver and vehicle transactions, whereas publicly operated centres offer several more relatively low-volume services, including issuing fishing and wildlife licences and receiving landlord/tenant board filings.

In 2012/13, ServiceOntario closed six public in-person service centres, of which four were in southern Ontario, one in the east and one in the north. The decisions were based on having other nearby in-person service centres handle more transactions. This saved $2.5 million in 2012/13 and was expected to save $4.2 million in 2013/14. ServiceOntario advised us that no final decisions had been made about closing any more offices in 2013/14.

Many rural and northern ServiceOntario-run in-person service centres handle fewer transactions. Most are open five days a week for seven hours a day, just like high-volume locations. To reduce operating costs, ServiceOntario determined in 2012 that it should reduce operating hours for 23 rural and northern centres and open them only 2 to 3.5 days per week, depending on the location. As of June 2013, service hours had been reduced at five of these locations through the attrition of full-time staff, some of whom were then replaced with part-time workers. ServiceOntario has said it has no plans to lay off any staff to accommodate such changes. Further savings will be achieved more slowly through attrition. Once reduced operating hours are in effect for all low-volume locations, ServiceOntario expects that further savings will be $1.5 million annually.

Telephone Contact Centres

The cost of running ServiceOntario's seven call centres in the 2012/13 fiscal year was $38 million. Most of this was spent on about 350 staff, who provided callers with information and referrals but generally did not handle transactions. ServiceOntario had a plan in place to address staffing. As of 2011, ServiceOntario calculated that it could most efficiently meet its service-level standards by employing a mix of 70% full-time staff and 30% part-time staff at each contact centre. This was designed to allow each centre the flexibility to have more staff answering phones at peak call-volume times. However, we found that ServiceOntario was still working on this and had made some progress through staff attrition, although six of the seven call centres had not yet met the 70/30 split. One centre had less than 10% part-time staff.

RECOMMENDATION 1

To help further reduce service delivery costs, ServiceOntario should:

- better identify the reasons people opt for in-person service rather than use the Internet, and examine possible changes it could make, including to its pricing strategy, to promote greater use of online transactions; and
- examine ways to expedite reducing operating costs at its publicly run in-person service centres to bring them closer to the already-lower cost of commissions paid at the privately run in-person service centres.

SERVICEONTARIO RESPONSE

We support the Auditor General's observation that the online channel represents a tremendous opportunity for government services in Ontario. During June to August 2013, ServiceOntario conducted research to better understand customer behaviour with respect to the use of our channels. The findings will result in a refresh of ServiceOntario's action plan by 2014 and will address possible promotional opportunities designed to encourage higher usage of the online channel.

ServiceOntario will continue its efforts to promote the online channel, including:

- continuing to expand our electronic suite of services;

- encouraging customers to use our online channel through various marketing efforts; and
- exploring different approaches to accelerate the shift online, potentially including a differential fee structure or mandatory use of electronic services.

In the last 15 months, ServiceOntario has realized savings by reducing its public in-person footprint and hours of service in some communities to more closely match operating hours with demand for services. We will continue to assess community needs and explore options to further reduce service delivery costs, while respecting our obligations as an employer.

SERVICE LEVELS

Service standards are public commitments to a level of service that customers can expect under normal circumstances; they typically address timeliness, accuracy and accessibility of a government service. Service standards are meant to be monitored and revised over time so that the government can improve its responsiveness to the public and operate more efficiently.

ServiceOntario has developed service standards for transactions involving programs it administers directly, and for the in-person services it provides for transactions administered on behalf of other ministries, such as driver and vehicle transactions (Ministry of Transportation) and health cards (Ministry of Health and Long-Term Care).

ServiceOntario offers a money-back guarantee for the prompt processing and delivery of a birth or marriage certificate, or personalized licence plates. Ontario was the first jurisdiction in North America to offer money-back guarantees on public services, and ServiceOntario meets its standards on these transactions virtually 100% of the time.

However, we found there was room for improvement in monitoring and reporting on wait times and levels of client satisfaction.

Wait Times

ServiceOntario does not publicly report its wait-time standards or actual wait times for the 82 in-person service centres it operates. Internally it has a target of a 15-minute average wait time. This falls within the Ontario Public Service Common Service Standards, which require a wait time in a queue to be less than 20 minutes unless otherwise communicated. We found that ServiceOntario had calculated the average wait times at its in-person service centres over the past four fiscal years as follows:

- 13.6 minutes in 2009/10;
- 13.3 minutes in 2010/11;
- 9.5 minutes in 2011/12; and
- 9.1 minutes in 2012/13.

This data is for only the service centres run by ServiceOntario. It started collecting wait-time data for the 207 in-person service centres run by private operators just last year.

The averaged, long-term data for in-person service centres run by ServiceOntario does not measure the wait customers can expect at peak times or at specific locations. We reviewed ServiceOntario reports on publicly run sites and noted that many larger urban sites had peak-time waits far greater than 15 minutes. Many had several days during the month in which the average wait time for the day exceeded the standard. It was not uncommon for wait times during peak hours to be 45 minutes, with some customers waiting more than two hours for service. However, when ServiceOntario averages these numbers over full days and over a month, the wait-time calculation usually falls within the 15-minute standard.

Some of ServiceOntario's privately run in-person service centres also experienced long wait times. Nineteen of those centres exceeded a 15-minute average wait time in 2012, and there was no reporting on peak times.

ServiceOntario has also established service levels for its seven telephone contact centres. The targets for the time in which 80% of calls should be answered are as follows:

- general inquiries: 30 seconds;
- driver and vehicle questions: two minutes;
- 24/7 health line: one minute;
- health information: two minutes; and
- business information line: 30 seconds.

These service levels adhere to Ontario Public Service Common Service Standards, which require that calls received through a call centre be answered within two minutes, unless otherwise communicated. In 2012/13, however, none of the seven contact centres answered 80% of the calls within the target times. The range of success was only 51% to 77%.

ServiceOntario determines how many staff each contact centre should have by calculating how many people are needed to reach the expected service level. However, we noted that one contact centre had fewer staff than the recommended number for the period we reviewed, and had poor service levels as a result. Another contact centre had more than the recommended number, and its service was relatively much better.

Client Satisfaction

ServiceOntario measures client satisfaction for its in-person service centres, Internet transactions and telephone contact centres.

For in-person service centres, it employs an independent survey company to poll 250 clients at publicly run sites and 250 at privately run sites each quarter to assess their overall satisfaction with the services they received.

Survey sites were chosen randomly, but regional representation was considered. Site managers were notified in advance of the survey, and on the day of the survey, the counter staff were fully aware that clients could be questioned by the survey company. Normally, clients were surveyed in the service centre lobby in front of counter staff. Thus, managers and counter staff would be highly motivated to provide their best customer service on survey day, making the survey results of questionable value.

In the fourth quarter of 2012/13, 98% of customers surveyed were satisfied or very satisfied with the service centres. Typically, customers who had to wait more than five minutes for service were less satisfied than those who were served faster. We asked ServiceOntario whether it might be better to use the "mystery shopper" technique to assess how counter staff handled customers and transactions; however, we were advised it would do so only under extraordinary circumstances. The same number of clients were surveyed both at publicly run and at privately run sites, even though privately run sites account for 70% of in-person service centres.

For Internet transactions, since 2008, customers have been asked to complete a short online survey at the end of the transaction; about 50,000 surveys are completed every quarter. While we expected that customer satisfaction would have grown with the improvements that ServiceOntario has made to its Internet services, the overall satisfaction rating has remained at 71% to 75% since 2009/10.

For the telephone contact centres, ServiceOntario began measuring customer satisfaction in 2008. Each quarter, an independent survey company questioned a sample of about 500 people who recently used the service. In the fourth quarter of 2012/13, the contact centre satisfaction level was 64%, down from the 70% that had been maintained for several quarters previously. For the specific question about timeliness of service, the satisfaction level was only 52%, down from 65%. These numbers indicate that ServiceOntario contact centre service requires substantial improvement.

ServiceOntario also set a target of having call-centre staff spend only 30% to 35% of their time on administration rather than than handling calls. From 2011 to 2013, the actual time spent at each call centre on non-phone duties, which include administration and customer follow-up work, was 35% to nearly 50%, which could have had a negative impact on customer service. However, ServiceOntario did not have a system that would allow it to better analyze non-phone duties, and was working on capturing this information at the time of our audit.

ServiceOntario also gathered data on turn-away rates for such things as health-card transactions and driver and vehicle transactions. Counter staff may turn away customers for a number of reasons: for instance, when they do not meet identification requirements, or when the computer system is down. However, while the number of people turned away was recorded, the reasons for turning them away were not. In addition, turn-away rates were gathered only for publicly operated in-person service centres; privately operated sites were not required to collect this information.

For health-card transactions, the customer turn-away target rate was not to exceed 12.8% (clients are typically turned away because they do not bring the identity or citizenship documents needed to complete a transaction). However, over the past two years, 15% to 17% of clients were turned away. In the 2012/13 fiscal year, some service centres turned away only 2% of customers, and others as many as 28%. Since turn-aways are at the discretion of the counter staff, ServiceOntario should confirm that its policies are applied consistently and should investigate the specific reasons that people are turned away in order to develop effective strategies to reduce such instances.

RECOMMENDATION 2

To ensure that ServiceOntario has appropriate management information that would allow it to further improve its service and increase client satisfaction, it should:

- collect data and report on peak-hour wait times at both the in-person service centres it runs itself and those run by private operators, as well as examine and address the reasons for long wait times at many of the large, urban in-person service centres;
- examine why none of the seven telephone contact centres met the service levels established for answering calls from the public, and take steps to improve client satisfaction ratings for these services as well as for online transactions;
- consider a method of surveying clients that is not done with full knowledge of counter staff at in-person service centres, who may then be highly motivated to provide their best service only on survey day; and
- devise a method for counter staff to report on why customers are turned away for such services as health-card and driver and vehicle transactions, and use this data to improve customer service where required.

SERVICEONTARIO RESPONSE

As noted by the Auditor, ServiceOntario has already achieved a 33% reduction in average wait times at our publicly operated offices since 2009/10. We will continue to evaluate our wait-time data collection methodology against industry best practices to reflect a typical customer experience. Capturing all wait-time data requires additional investment in smart queuing systems, which is feasible only in the largest offices. We will re-evaluate technologies as they evolve to determine feasibility in all ServiceOntario centres.

For in-person centres experiencing load challenges, an expert task force has been in place since May 2013. The task force is responsible for developing practical wait-time improvement strategies, and as a result of its efforts, we are already observing progressive improvements at these centres.

ServiceOntario notes that our contact centres experienced a temporary dip in performance as they transitioned to our new technology platform. While these types of transitional impacts are typical of large-scale technology and process transformations, they do not reflect ServiceOntario's commitment to service excellence.

Accordingly, a number of corrective measures were initiated, and we are pleased to note continuous improvements in our service-level performance since the results of the 2012/13 fiscal year:

- Six of 18 lines of business have now surpassed their 80% service-level target.
- Fifteen of 18 lines of business provide a less-than-two-minute Average Speed of Answer.
- The most recent second-quarter customer satisfaction survey results have returned to pre-transition levels of 70% "Very Satisfied."

In 2014, ServiceOntario will review its customer satisfaction survey program with experts in the field to ensure our methodologies address the Auditor's concerns.

Through frontline staff focus groups that convened in April, May and September 2013, ServiceOntario has identified the most common reasons for turn-aways. The groups most affected are youth, new immigrants and people for whom English is a second language.

We have developed a plan to reduce these turn-aways. The plan will be implemented by the end of this fiscal year (March 31, 2014). It includes:

- a multilingual handout for agents to distribute to help customers understand what documents are required when they return; and
- stakeholder outreach to ensure that youth and new immigrant communities understand what documentation is required prior to their first visit.

USER FEES

Our *2009 Annual Report* section on government user fees noted that the Ministry of Government Services was at risk of a constitutional challenge over its collection of non-tax revenues for certain registration services because the fee revenues exceeded the cost of providing the services by approximately $60 million. In 1998, the Supreme Court of Canada ruled that user fees could be considered unlawful and therefore may be repayable if they were determined by a court to be a tax that was not established by enacted legislation or if the fee amounts charged were excessive and did not have a reasonable relationship to the cost of the services provided.

In 2011, we reported that the Ministry had identified potential strategies to address this risk, including possibly reducing the fees over time, and that it was working with the Ministry of Finance to present a strategy to the Treasury Board of Cabinet for consideration. However, no timetable was provided for completing this. As part of our current audit, we again followed up on this matter and noted that no further progress had been made.

ServiceOntario had direct responsibility for about $104 million in fees collected in the 2012/13 fiscal year for programs that it fully administers, including services for land, personal property, businesses and vital events. Any proposals for fee changes would normally be made by ServiceOntario to the Ministry of Finance and require government approval. The other $2.8 billion in fees and taxes ServiceOntario collected are flow-through revenues since they were collected on behalf of other ministries' programs, such as for driver and vehicle transactions, land transfer tax, and fish and wildlife transactions. Responsibility for proposing fee changes for flow-through revenues is with these other ministries. There are no revenues for health-card services, as fees are prohibited under the federal *Canada Health Act*.

Government policies and guidelines require ministries to regularly review services and rates, and when it is reasonable and practical to do so, the cost of providing services to the public should be borne by those who benefit from the service. ServiceOntario did not have robust processes to ensure this was the case, and it had not established a strategy for restructuring its fees to meet these requirements. No fees have been changed since 2006 for programs that ServiceOntario fully administers. As Figure 2 indicates, there still are significant differences in revenues and costs for its registration programs.

ServiceOntario was working to lower its operating costs, including by restructuring for greater efficiency, upgrading technology, improving management information and reporting, and promoting greater use of its lower-cost Internet services. However, these efforts had not led to any fee reviews and thus any operating savings that were achieved would not result in adjustment to fees.

Figure 2: Comparison of Fees and Costs for Registration Programs, 2012/13 ($ million)
Source of data: ServiceOntario

Program	Vital Statistics	Business	Personal Property
Fees collected	23.5	37.9	40.8
Direct and indirect costs	25.8	18.9	6.9
Net operating profit (loss)	(2.3)	19.0	33.9

RECOMMENDATION 3

To ensure that registration-related fees are set at levels that would recover the costs of providing services when it is reasonable and practical to do so and also to meet the legal requirement that fees not be set at excessive amounts, ServiceOntario should conduct a full costing and revenue analysis, and develop a strategy with time frames for restructuring its fees.

SERVICEONTARIO RESPONSE

We agree with the Auditor General's recommendation that registration-related fees should meet legal requirements.

There are two streams of user fee revenue: services that ServiceOntario manages directly and services that are offered on behalf of other ministries.

ServiceOntario is continuing to refine the cost of each transaction it manages directly and will develop a costing analysis and a strategy for restructuring its fees for registration-related services in 2014.

ISSUING AND MANAGING LICENCES, CERTIFICATIONS, REGISTRATIONS AND PERMITS

Birth Certificates

The Office of the Registrar General (Office) is a branch of ServiceOntario responsible for registering births, deaths, marriages, adoptions and name changes in the province. ServiceOntario, through the Office, provides certificates and certified copies of registrations to the public. Each year, approximately 300,000 events are registered and 580,000 certificates and certified copies are issued.

Our 2004/05 audit of the Office found significant backlogs and processing delays for birth certificates. However, as a result of a new system in 2007 and other organizational changes, the turnaround time for processing registrations and issuing certificates has improved significantly, and these times are reasonable in comparison to service levels reported by other provinces. However, we noted two areas that need improvement:

- The *Vital Statistics Act* requires guarantors for applications for birth certificates for anyone over the age of 9. Applications with guarantors accounted for 43% of all applications for birth certificates or requests for certified copies of birth registrations received annually. Policy of the Office of the Registrar General states that guarantors must be audited on a sample basis. We found that very few guarantor audits were done. In 2012, only 151 guarantor audits were completed among the over 150,000 applications for people over the age of 9.
- Ontario is one of the last provinces to still print birth certificates on paper. The Vital Statistics Council for Canada has recommended that all provinces update from paper to polymer (plastic) birth certificates with security features designed to minimize identity theft, forgery and loss. From 2007 to 2010, eight provinces adopted the more secure polymer birth certificates, but ServiceOntario has no plan to do so.

Health-card Registrations

ServiceOntario annually issues about 305,000 health cards to new eligible registrants, including 137,000 to newborns and 168,000 to newcomers, and renews about 1.4 million for existing cardholders using procedures agreed on with the Ministry of Health and Long-Term Care. Since health cards provide cardholders with essentially free medical services anywhere in Canada, ServiceOntario must ensure that cards are provided only to individuals who are legally eligible to receive the services. People applying for OHIP coverage and an accompanying health card are required to submit original documents that provide:

- proof of citizenship or OHIP-eligible immigration status;
- proof that they live in Ontario; and
- support of their identity, including name and signature.

However, once an applicant shows the required documents at the ServiceOntario counter and the information is recorded, all source documents are returned to the applicant. In most cases, the information is authenticated electronically with the source organization, either ServiceOntario's Registrar General or Citizenship and Immigration Canada. In other cases where the documents used can't be authenticated, no copies are made of what proof was shown, so there is no audit trail available to make sure counter staff processed transactions according to policy requirements. This is of particular concern for higher-risk transactions, such as applications by newcomers to the province whose documents cannot be electronically authenticated. ServiceOntario's internal auditors mentioned this problem in a November 2011 report; however, no changes have been made. In addition, we noted there was no requirement for a supervisor to double-check counter staff work, such as confirming that a new registrant has provided a proper identity document. Nor is a supervisor required to authorize higher-risk transactions, as is the practice at banks, for example.

In 2010, ServiceOntario expanded the number of locations that could issue health cards to 289 from 27. This improved customer access, but it also increased the risks pertaining to processing health-card transactions, since many of these locations were small offices with limited management oversight. In 2012/13, ServiceOntario found that 130 of the 289 in-person service centres had high-risk error rates greater than 15% with respect to the health-card application process.

Conversion to New Health Cards

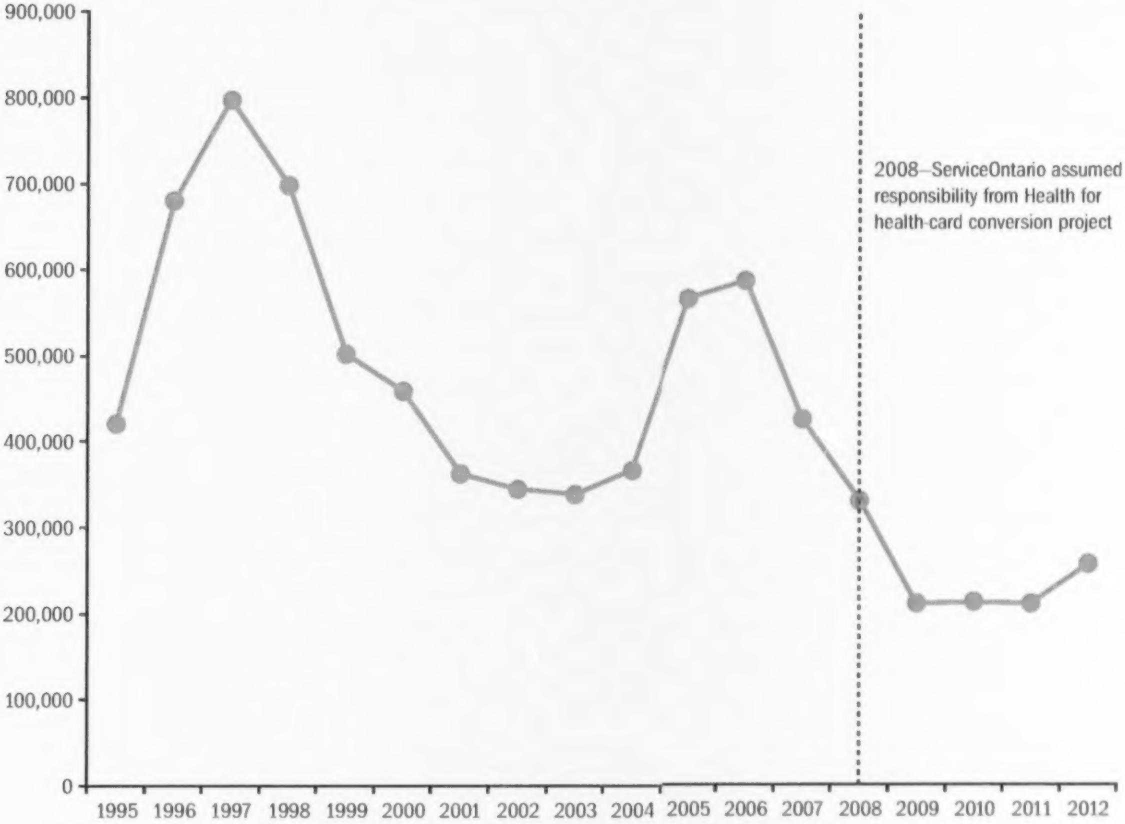
In 1995, the Ministry of Health and Long-Term Care (Health) introduced a photo health card to eventually replace the red-and-white, non-photo cards that were then carried by all Ontarians eligible to receive OHIP benefits. Health originally planned to have all eligible Ontarians carrying the new photo card by 2000. However, the government did not make conversion mandatory, and many red-and-white cardholders chose not to replace their cards.

The program to convert to the more secure card offered many opportunities to Health. It provided a chance to verify that each person who was issued a new card indeed met the requirements for OHIP eligibility. The red-and-white card has no photo and no information other than the cardholder's name—no date of birth or address, for example—so it is of little value in confirming a cardholder's identity for eligibility. And unlike the new photo card, which requires periodic renewal, the red-and-white card does not expire.

After 18 years, as of August 1, 2013, there were still 3.1 million red-and-white cards—23% of the total of 13.4 million health cards issued—in circulation in Ontario. As we reported in our *2006 Annual Report* audit of OHIP, from 2002/03 to 2004/05, the number of red-and-white cards taken out of circulation was about 400,000 annually. But the reduction rate declined by about 45% on average annually over the last five fiscal years since ServiceOntario assumed responsibility from Health for the conversion, as shown in Figure 3.

Figure 3: Number of Red-and-white Cards Removed from Circulation, 1995–2012

Sources of data: Ministry of Health and Long-Term Care (Health) and ServiceOntario



Red-and-white cards fall out of circulation when the cardholders die, move out of the province or country, lose the card and must get a replacement, or voluntarily request an updated card. To encourage the voluntary exchange of old cards for new ones, ServiceOntario mails out notices requesting that red-and-white cardholders replace their cards. Due to budget constraints, ServiceOntario has sent only about 36,000 requests in each of the last two years. As well, we were told by owners of privately run in-person service centres that they are aggressively promoting voluntary card conversion to people coming in to renew their driver's licence or plate stickers. The centre receives an additional commission for a health-card replacement transaction. In contrast, management at publicly run service centres told us they were not instructed to promote health-card conversions.

We estimated that 25% of the addresses of holders of red-and-white cards were outdated as of 2012/13. Many of these cardholders would have come to ServiceOntario for driver's licence and vehicle transactions, but ServiceOntario did not use the address information from these transactions to update the addresses assigned to health cards.

In our 2006 OHIP audit, we noted that Health did little monitoring of individual health-card usage. In 2005, a consulting firm hired by Health estimated the value of consumer fraud in Ontario's health-card system at $11 million to $22 million annually. Health had not updated that estimate at the time of this audit.

In its 2013 budget, the provincial government announced that it would invest $15 million over three years, starting in 2013/14, to accelerate the conversion of the remaining red-and-white health cards to the more secure photo cards. The full conversion is expected to be completed by 2018. In the 2013/14 fiscal year, the plan was to remove 500,000 old cards from circulation.

Starting in late 2013, counter staff were to ask customers to verify their health-card addresses when they came to ServiceOntario locations for any other transactions.

Smart Card

The Ontario government has, over the last 15 years, launched initiatives that explored the possibility of replacing a number of government cards—driver's licences, health cards and birth certificates, for example—with a single, secure identity card. This has been commonly referred to as a smart card. Microchip technology and other evolving security measures have made the prospect for such a card more feasible. If a smart card was implemented, the public likely would want reassurance that the personal information stored on this kind of universal card remains private and is used only for the purposes for which it is intended.

In 2012, Ontario passed legislation that established the authority for developing such a card. Advantages for consumers would include having to carry and renew only one card. For the government, the advantages would include streamlining card production processes with reduced production and transaction costs. For example, we estimate that the annual savings in card production costs alone from combining the health cards and driver's licences of 9 million people into a single ID card would be about $3.4 million, although significant upfront investment in card design and data transfer would be required. Such a card could also allow government to work toward giving each Ontarian only one identity number, which would reduce the need for individuals to have multiple IDs across government databases and would help to integrate government services.

Other jurisdictions—British Columbia, the state of Queensland in Australia, and Germany, for example—have moved to some form of smart-card system, combining at least two government cards.

Commercial Farm Vehicles

As of March 31, 2013, Ontario had almost 1.5 million registered commercial vehicles that weighed more than 3,000 kilograms, and 78,100 registered farm vehicles in the same weight categories. The province allows farmers to pay reduced annual registration fees for licence plate stickers for commercial farm vehicles compared to what would otherwise be paid for commercial vehicles. The annual fee for a farm vehicle registration is $43 to $2,802 less than the fee paid for a commercial vehicle registration, depending on weight. For example, an operator of a commercial vehicle with a gross weight of 25,000 kilograms would pay an annual fee of $1,331. If the vehicle were registered as a farm vehicle, however, the owner would pay an annual fee of only $322.

ServiceOntario staff do not verify that the owner of a vehicle is indeed a farmer. An applicant merely has to tick a box on a form identifying that he or she is a farmer. We found that from 2003/04 to 2012/13, the number of commercial farm vehicles registered with MTO increased by 56%, while the number of commercial vehicles registered increased by only 13% overall. Moreover, Statistics Canada's farm activity indicators for Ontario declined from 2001 to 2011. We estimated that weaknesses in ServiceOntario's verification procedures could be costing the province about $5 million annually in lost commercial vehicle registration fees, assuming that the number of farm vehicles did not actually increase more than the rate for other commercial vehicles.

Accessible Parking Permits

In our *2005 Annual Report* section on Disabled Person Parking Permits, we identified that MTO did not adequately review applications for accessible parking permits. In response, MTO held discussions with the medical community, reassessed its criteria for medical conditions that qualified a person for a permit, and started using death records to identify deceased permit holders more quickly; however, no substantial changes were made to improve the verification of the application forms.

Since our last audit, we noted that the number of active accessible parking permits had increased from 540,000 to 615,000 as of January 2013. ServiceOntario is now responsible for issuing accessible parking permits and still had weak processes for reviewing and verifying applications.

To obtain an accessible parking permit, an applicant's health condition must be certified by a regulated health-care practitioner. Either a temporary or a permanent permit is issued, depending on the applicant's health condition. A temporary permit is valid for up to five years, and the applicant needs to reapply upon the permit's expiry. A permanent permit is issued for a five-year period, and an applicant who renews the permit does not need to obtain recertification of his or her health condition. Permits allow parking in designated accessible parking spaces, and, depending on the jurisdiction, can also be used to get free parking at meters and in pay-and-display spaces, and to park in some no-parking zones. The advantages create an incentive for misuse of the permits and for counterfeiting.

At the time of our audit, ServiceOntario was following MTO's earlier policy for accessible parking permits by randomly verifying the professional registration numbers of health-care practitioners before mailing out a permit. These professional registration numbers are publicly available on the Internet, so verification of the numbers provides no assurance that the practitioner supported and signed the application. Temporary, three-month permits were issued right at ServiceOntario counters, where counter staff simply made sure the application had been filled out. There was no verification of the information, and front-counter staff could not determine whether the applicant had had a permit seized by enforcement officials or had had an application for a permanent permit rejected.

Since our 2005 audit of the driver and vehicle private issuing network, which included accessible parking permits, the number of permits seized by law enforcement agencies had decreased. In 2005, about 1,600 permits were seized, compared with 710 in 2012. However, enforcement was difficult because parking enforcement officers did not have access to ServiceOntario's database to see if permits are legitimate.

Once a month, ServiceOntario matched a list of names of people who died, provided internally by its Office of the Registrar General branch, to its list of accessible parking permit holders. An exact match automatically rendered the permit inactive. However, ServiceOntario did not require that the permit be sent back, and misuse of a technically inactive permit was difficult to catch. As well, only exact matches were inactivated. In our examination of a sample of renewal notices, we noted a few had been sent to people who were deceased, including one who had been dead for four years.

Our testing found that the permits lacked effective security features and could be copied easily. As well, blank permits were kept at the desks of employees and were not numbered serially in advance, which means there were no controls over the number of permits that could be printed.

Other jurisdictions have improved their processes for issuing accessible parking permits. In British Columbia and Quebec, permit holders must carry an accompanying permit card or certificate that enforcement officials can ask to see. In New York City, a city health department physician must recertify disabilities. In Australia, permit stickers are placed on vehicles, with the name, date of birth and picture of the permit holder, and enforcement officers carry scanners to detect fake permits.

Subsequent to our discussions during our audit fieldwork, ServiceOntario began work to improve its accessible parking permit policy and procedures. It began implementing a policy to require applicants to provide documents to verify their identity. As well, temporary permits were no longer to be handed over to people submitting an application on behalf of someone else.

RECOMMENDATION 4

To improve service and security surrounding the issuing and management of licences, certificates, registrations and permits that it administers, ServiceOntario should:

- ensure that it completes enough guarantor audits for birth certificate applications, and consider updating its birth certificate identity document to the newer polymer composition and design standard to minimize identity theft, forgery and loss;
- reassess the processes in use and supervisory oversight over counter staff at in-person service centres to better ensure policies and procedures are followed for processing higher-risk transactions and verifying that customers provide proper documents when registering for health cards;
- complete its long-delayed conversion from the old red-and-white health cards so that all Ontarians are carrying the more secure photo health cards that reduce the risk of fraudulent medical claims;
- examine the benefits and cost savings from creating a smart card that would combine more than one government ID card, and set timelines to achieve them;
- improve verification requirements for applications to make sure that vehicles registered as farm vehicles, and thus subject to a much lower annual registration fee than other commercial vehicles, are indeed used for farm purposes; and
- improve processes for issuing accessible parking permits, and introduce changes that would make it easier to identify abusers.

SERVICEONTARIO RESPONSE

Noting that Ontario is the only jurisdiction that performs guarantor audits for birth certificate applications, ServiceOntario will conduct an analysis of the effectiveness of guarantor audits and associated policies as a means of ensuring the integrity of our data and authentication processes. ServiceOntario had considered the use of polymer composition materials in birth certificates but did not implement this option due to cost. We agree to re-examine in 2014 the feasibility of using polymer stock and will analyze the experiences of other Canadian jurisdictions.

ServiceOntario has available staff support for the delivery of higher-risk transactions, as well as transactions requiring policy interpretation/adjudication. This support includes on-site supervisors and subject matter experts, telephone hotline specialists, and reviews conducted by our Eligibility Unit. In addition, the Ministry of Health and Long-Term Care provides policy support and clarification of more complex OHIP-eligibility issues to ServiceOntario staff as required. ServiceOntario agrees to explore other cost-effective and operationally feasible approaches to high-risk transaction oversight to further enhance the integrity of delivery and maintain customer service standards.

With government support and funding that was confirmed in the 2013 Ontario Budget, we will begin an accelerated, mandatory conversion of red-and-white health cards to the more secure photo health card in winter 2013/14. This conversion will be completed in the 2018/19 fiscal year. In June 2013, we started to more than double the number of red-and-white health-card conversion letters sent weekly and are actively marketing a "keep your address up to date" campaign to customers.

ServiceOntario recognizes the potential value of an integrated card for multiple government programs and has begun a review of possible options. ServiceOntario will work closely with its ministry partners to determine the feasibility and value of the card, and assess the legislative authority required for potential options. Privacy-friendly design, cost effectiveness, and the potential for use across a variety of government programs are key themes being explored prior to any commitment to implement.

ServiceOntario has consulted with the Ministry of Transportation (MTO) on the licensing of commercial farm vehicles. MTO is developing policy options to address the Auditor General's concern and will be consulting with stakeholders on possible options. Once a policy direction has been confirmed, MTO will work to determine an implementation and communications plan.

ServiceOntario agrees with the need to enhance the integrity of its administration of the Accessible Parking Permit (APP) program. It is currently addressing the Auditor General's concerns by:

- ensuring consistency between accessible parking permits and driver's licences in how a person's name is recorded in order to improve ServiceOntario's ability to prevent the fraudulent use of permits and strengthen oversight of the issuance of renewal permits;
- assessing the security of the permit, and evaluating new and effective design elements, including serial numbers to control and measure permit production and distribution; and
- collaborating with municipalities that enforce APP-related laws to identify appropriate mechanisms for tracking permit seizures and enforcement.

In addition, ServiceOntario will explore opportunities to collaborate with MTO to incorporate the APP program into the Medical Reporting Modernization Project, enabling regulated health practitioners to facilitate the direct submission of approved APP applications and the immediate production of temporary permits.

QUALITY CONTROL OVER PROCESSING TRANSACTIONS

ServiceOntario needs to ensure that transactions are processed correctly and securely because of the substantial risks involved, such as issuing identification or licences to ineligible people, or improper or duplicate registrations on its database. As well, it needs to ensure the accuracy and integrity of its registration and licensing services and databases. We identified a number of areas where controls could be improved.

Audit Oversight

ServiceOntario has implemented a robust audit program of its 289 in-person service centres to identify locations with high error rates in processing transactions. We were concerned that 43% of its centres are rated as high risk because of the number of processing errors the audits uncovered.

ServiceOntario's Audit Oversight Unit (Unit) conducts both full on-site audits and more limited off-site audits of a sample of transactions. Both privately and publicly run in-person service centres are audited to ensure that there is appropriate and accurate documentation for all transactions; that transactions have been processed correctly and all commissions calculated accurately; and, for full audits, that valuable stock (such as licence plates and renewal stickers) is properly secured and accounted for.

The Unit has increased the number of audits it conducts. In the 15 months up to March 31, 2013, 88% of all in-person service centres had an on-site audit and 99% of centres had at least one off-site audit of transaction records. By comparison, in the 2011 calendar year, 45% of centres had on-site audits and 57% had off-site audits. (The Unit changed its reporting period from a calendar year in 2011 to a fiscal-year period in 2013, which included a one-time three-month difference. It was unable to provide us with identical periods for comparison.)

The Unit considers an in-person service centre to be high risk when the audit results in an error rate higher than 15%, calculated by the number of errors divided by the number of transactions sampled. The audit results do not include minor errors; the auditors instead focus on more significant errors, including missing signatures on health-card and driver's licence applications, incorrect identity document type recorded on the application, health-card renewals without citizenship information being on file, a vehicle transferred to a name other than the one indicated on the application, wrong licence plate number renewed, and incorrect cash, cheque or credit-card adjustments or transactions.

In the 2011 calendar year, the Unit found that 23% of locations audited had error rates higher than 15%; in the 15-month period ending March 31, 2013, this percentage increased to 43%. Many of the locations' error rates far exceeded the 15% threshold, with some reaching 50% to 60%. Sixteen of the 125 high-risk locations identified in the 15-month period ending March 31, 2013, were also identified as high risk in the calendar year 2011. There were no significant differences in the error rates between privately and publicly operated in-person service centres.

For the 2013/14 fiscal year, the Unit plans to focus on in-person service centres that were considered high risk from the previous year's audits, particularly those with error rates higher than 30%. The Unit also intends to improve its interactions, such as holding more regular status meetings, with high-risk sites to monitor their progress, and take other action—including legal action—as needed.

We were advised that errors identified in the audits are discussed with management of the in-person service centres. However, the Unit did not compile regular reports that summarized the types and frequency of errors found, including whether the errors were financial or clerical, or whether they were more serious and affected the security and integrity of registration and licensing databases. Such reports would help identify areas in which staff need training and would identify errors that result from problems in processes and IT systems.

Besides past error rates, ServiceOntario's audits should consider other risk factors related to operating in-person service centres—for instance, whether the site handles more complex transactions, such as a relatively higher number of health-card registrations to newcomers; transaction volumes and amount of revenue generated; and whether the centre has changed staff, management or ownership.

Database Integrity

ServiceOntario's procedures and IT system controls are designed to mitigate the risk of issuing duplicate health cards, driver's licences or birth certificates that could allow people to obtain services or privileges for which they are not eligible. As well, if a deceased person's identity card is not cancelled promptly, it could be used inappropriately. When issuing or renewing a health card or renewing a driver's licence, ServiceOntario staff perform a limited search of the databases of Health or MTO using name, birthdate and sex to see whether any existing health cards or driver's licences are issued in the same name. However, ServiceOntario has not established procedures for its counter staff to cross-reference the information in those databases to further verify the applicant's identity even though the same counter staff can process both types of transactions.

Based on our analysis of the databases as of March 31, 2013, and in some cases data going back over the previous five years, we found a number of control weaknesses that affected data integrity that we shared with ServiceOntario. The following are among the more significant:

- We estimated that approximately 1,500 people in Ontario had been issued duplicate health cards; 580 of these individuals held two of the old red-and-white cards, which have no expiry date, and no photo or other identifying information on them except a name, and thus carry a significant risk for fraudulent use. In comparison, MTO has virtually eliminated the issuance of duplicate driver's licences since it uses electronic photo comparison to detect duplicates before they are authorized. No similar technology is used by ServiceOntario or Health for health cards. Furthermore, ServiceOntario counter staff have previous electronic photos of driver's licence cardholders available on their system, but do not have photos available for health-card renewals. In addition, we found a few cases where the application process allowed newborns to receive two separate birth registrations.

- To make sure that the health cards and drivers' licences of people who have died are cancelled promptly, MTO and Health receive a monthly notification of deaths from ServiceOntario. For deaths that Health's automated matching system fail to match, the exceptions list is provided to ServiceOntario, which manually checks the list against the health-card database. We compared the death records from ServiceOntario's Registrar General database to Health's health-card and MTO's driver's licence databases and estimated that there were more than 15,000 active health cards (including 6,000 red-and-white cards) and 1,400 driver's licences in the names of people who have died that the systems and processes failed to cancel. When a health card or driver's licence is not cancelled promptly, there is an increased risk of it being misused; in the case of a health card, fees could continue to be paid to the deceased person's health-care provider until the card is terminated. Health officials advised us that in some cases there may be legitimate medical claims for services performed on deceased persons, and that there was a need to positively ensure that only cards for people who are verifiably deceased persons are cancelled. However, they agreed that to minimize risk, health cards should be cancelled promptly upon receiving notification of a death. Health and ServiceOntario advised us that they are committed to reviewing their related policies and procedures.
- Approximately 166,000 active health cards, including 144,000 of the red-and-white cards that have no expiry dates, were listed in the database as not having current addresses for the cardholders attached to them; this means that neither Health nor ServiceOntario can locate these cardholders or verify their Ontario residency, a key requirement for eligibility for health services. Furthermore, we compared address information for holders of the red-and-white health cards with their addresses in MTO's database for driver's licences, which must be renewed every five years, and found that as many as 800,000 of them had a more current address in the MTO database. However, ServiceOntario staff had no established procedure to access or use MTO addresses to update addresses in the health-card database, even though the same counter staff can process both types of transactions.
- Many people who legally changed their names with ServiceOntario's Office of the Registrar General did not inform Health or MTO of this, even when they renewed their health card or driver's licence with ServiceOntario. The Registrar General does not share name change information with the MTO and Health, although it does inform the Ontario Provincial Police, who then inform the Canadian Police Information Centre (CPIC) operated by the RCMP for updating criminal records. We reviewed the data of the 50,000 people over the last five years who had legally changed their names and found that an estimated 2,400 had not updated the name on their health card and 800 had not changed the name on their driver's licence. At the time these people had their new legal name registered, they would have received a new birth certificate from ServiceOntario with that new name. Thus, there is a risk that people have two different identification documents, which could result in their inappropriately receiving duplicate government services, for example.

RECOMMENDATION 5

To ensure that transactions are processed in accordance with legislation and established procedures, and to reduce the risk of fraud and misuse of government-issued identity documents, ServiceOntario should:

- regularly identify from its audit activities the types and frequency of errors found that can be used to target staff training and changes to its systems and procedures needed to reduce the high transaction error rate at many of its service centres;
- recommend to its partner ministries the need for further automated and other processing controls to improve the security and integrity of registration and licensing databases;
- improve its systems for cancelling identity documents for people who have died; and
- co-ordinate with the Ministry of Health and Long-Term Care, the Ministry of Transportation and the Office of the Information and Privacy Commissioner to introduce measures such as limited sharing of current addresses among databases in order to mitigate the risks posed by erroneous and duplicate identity documents.

SERVICEONTARIO RESPONSE

Since 2010, ServiceOntario has expanded its Quality Assurance audit program to include health-card registration, as well as new risk and intervention frameworks. It encompasses service delivery through both publicly and privately operated centres. We agree that taking steps to further realize the business value of Quality Assurance audit data in supporting process and system improvements will be beneficial, and we have already begun to take appropriate action.

ServiceOntario continues to explore ways to further integrate products and the delivery of services to improve customer service, to safeguard an individual's privacy and to improve data integrity while meeting the government's statutory obligations under the *Freedom of Information and Protection of Privacy Act* and the *Personal Health Information Protection Act*. To this end, ServiceOntario will prepare options for providing electronic change-of-name notifications to the Ministry of Transportation (MTO) and the Ministry of Health and Long-Term Care (Health).

Maintaining the integrity of records is a high priority for ServiceOntario and all of its partner ministries. Equally, ensuring that records do not get incorrectly changed and that mismatches are avoided is of critical concern. ServiceOntario will seek to build on previous efforts with MTO and Health and explore additional improvements in data-matching processes for death records. At the same time, ServiceOntario will continue to reconcile addresses between a driver's licence and health card whenever client consent is received.

More significant changes such as a centralized and consolidated approach to authentication and verification of some eligibility requirements necessitate a longer time frame, investment and may require changes to ServiceOntario's existing scope of authority. ServiceOntario will consult with the Office of the Information and Privacy Commissioner of Ontario and work closely with its partners to develop a proposal that considers expansion of existing information-sharing agreements.

TERANET IT PERFORMANCE MONITORING

As part of its licensing agreement, Teranet is required to adhere to industry standard methodology to ensure effective controls are in place for the key information technology processes involved in providing electronic land registration services. To demonstrate that it is meeting this requirement, Teranet provides ServiceOntario with quarterly IT performance reports on measures including accessibility, availability, system response time, server performance, network performance, security, application functionality and data integrity, and system and data backup. Committees comprising representatives from ServiceOntario and Teranet meet regularly to monitor Teranet's performance and whether established targets have been met.

We noted that ServiceOntario relies on information provided by Teranet for its monitoring activities, and reports are not independently verified either by ServiceOntario or by internal or external auditors. ServiceOntario does not obtain independent assurance that performance reports from Teranet are complete and accurate, and that disaster recovery plans and security measures are validated routinely.

Teranet provides ServiceOntario each quarter with a copy of the source code software that would allow the Ministry to use or recreate the electronic land registration system in the event Teranet was unable or unwilling to fulfill its obligations under the agreement. We verified that ServiceOntario was receiving the source code regularly; however, it had not tested the software to ensure it could use the program without further support and co-operation from Teranet.

RECOMMENDATION 6

To better ensure the ongoing reliability and availability of Ontario's electronic land registration system, ServiceOntario should obtain independent assurance that Teranet's performance reports, and its disaster recovery plans and security measures, meet industry-accepted standards and are validated routinely. ServiceOntario should also periodically test its copy of the land registration source code software.

SERVICEONTARIO RESPONSE

As part of our ongoing commitment to service improvement, ServiceOntario and Teranet have agreed to apply a comprehensive assessment framework that is consistent with what the Chartered Professional Accountants of Canada (formerly the Canadian Institute of Chartered Accountants) recommends regarding reporting on controls for a service organization. This new framework will be applied to reporting as of March 2014. ServiceOntario will explore alternative cost-effective ways to obtain additional third-party assurance of disaster recovery plans and security measures standards.

The licence agreement with Teranet does include a master transition plan to execute an orderly transition of the electronic land registration system from Teranet to another third-party or government operator. ServiceOntario will investigate cost-effective means to verify its copy of the source code software it receives from Teranet for the land registration.

Chapter 3 **Ministry of Community and Social Services**

Section

3.10 Violence Against Women

Background

In Ontario, a wide range of ministries, sectors, professionals and community members are involved in providing services and supports to women and their children who are fleeing violence. These include shelters and counselling services, child welfare workers, police, health-care professionals, the justice sector and social assistance and housing. In the 2010/11 fiscal year (the latest year for which data was available), the province estimated that it spent a total of $220 million across all ministries dealing with the issue of violence against women (VAW). Two-thirds of these costs were for VAW programs and services that were administered by the Ministry of Community and Social Services.

The Ministry of Community and Social Services (Ministry) provides community programs and services aimed at helping women and their children who are victims of domestic violence find safety and rebuild their lives free of violence. The programs also serve adult survivors of childhood sexual abuse. The objectives of the Ministry's VAW programs and services are to:

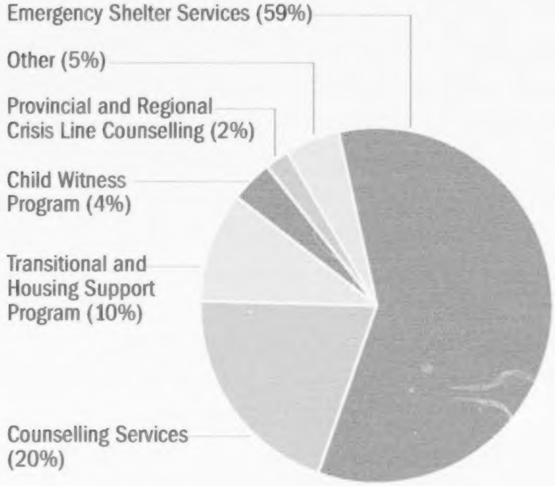
- increase the safety of women who are experiencing violence and their children by providing safe shelter, safety plan development and crisis counselling;
- assist women experiencing violence and their children by enhancing self-esteem and supporting them to access resources to live independently; and
- enhance the co-ordination of VAW services at the community level.

The Ministry provides transfer payments to more than 200 not-for-profit agencies within local communities to deliver supports and services to abused women and their children. These agencies are governed by volunteer boards of directors. The Ministry is responsible for prioritizing and co-ordinating local service delivery, as well as for allocating public funds in response to priorities identified by VAW agencies and the local community. The Ministry's head office establishes program policies and procedures, and its nine regional offices oversee funding and program delivery for the agencies in their respective jurisdictions.

In the 2012/13 fiscal year, the Ministry spent $142 million in transfer payments. Of that amount, approximately $82 million went toward the operation of 95 shelters. The remaining $60 million was for other supportive services, including community-based counselling, telephone-based counselling (crisis help lines) and connecting women with supports to help them secure more permanent housing. Figure 1 shows a breakdown of transfer-payment funding for VAW programs and services.

Figure 1: Ministry Funding Allocation to Violence Against Women Programs and Services, 2012/13

Source of data: Ministry of Community and Social Services



In the last decade, the province released two multi-ministry action plans to deal with the issue of violence against women: the Domestic Violence Action Plan (2004) and the Sexual Violence Action Plan (2011). As well, in 2009 the Domestic Violence Advisory Council (Council), created by the Minister Responsible for Women's Issues, released a report with 45 recommendations for improving the system of services for abused women and their children. The Ontario Women's Directorate, a government office reporting to the Minister Responsible for Women's Issues, is responsible for co-ordinating the implementation of the action plans and the Council's recommendations across the government.

Audit Objectives and Scope

The objective of our audit was to assess whether the Ministry of Community and Social Services and the Ontario Women's Directorate had adequate mechanisms in place to meet the needs of abused women and their children cost-effectively, and to measure and report on the effectiveness of services and initiatives aimed at curtailing violence against women and at helping victims of this type of abuse. Senior management at both the Ministry of Community and Social Services and the Ontario Women's Directorate reviewed and agreed to our audit objective and associated audit criteria.

This audit focused on VAW programs and services administered by the Ministry of Community and Social Services, and on the co-ordination efforts of the Ontario Women's Directorate.

In conducting our audit, we reviewed relevant documents; analyzed information; interviewed appropriate ministry, directorate and agency staff; and reviewed relevant research from Ontario and other jurisdictions. Our audit work was conducted primarily at the Ministry's head office, at three of the Ministry's nine regional offices, and at the Ontario Women's Directorate. We also visited six women's shelters to gain a better understanding of the services provided and to review selected procedures, and met with the chairs of four Domestic Violence Community Coordinating Committees. We followed up with the Ministries of the Attorney General and Municipal Affairs and Housing on select issues. We also followed up on the status of all action plans released by the government over the last decade that were relevant to the issue of violence against women and on the Domestic Violence Advisory Council's 45 recommendations. This audit excluded programs and services for victims of rape or sexual assault, which are funded by the Ministry of the Attorney General.

The internal audit team for the Ontario Women's Directorate conducted a risk assessment on the grants process in 2008 and reviewed a sample of grant files in 2011. We reviewed its reports and considered its work and any relevant issues identified when planning our audit work.

Summary

Effectiveness of the Multi-ministry Domestic Action Plan

During the last decade, Ontario developed action plans to address violence against women: the

Domestic Violence Action Plan (released in 2004) and the Sexual Violence Action Plan (released in 2011). Nine years after the release of the Domestic Violence Action Plan, we would have expected the government to have assessed whether the plan was meeting its objectives of preventing domestic violence and improving supports for abused women and their children. However, the progress reports publicly issued to date by the Ontario Women's Directorate have been mainly anecdotal, with no clear indication of each commitment's implementation status or of what outcomes have been achieved. In this regard, Statistics Canada data on the prevalence of domestic violence before and after the 2004 plan showed some change in Ontario: the percentage of women who reported experiencing spousal abuse decreased, from 7% in 2004 to 6.3% in 2009 (latest available information). Moreover, the Ontario rate for self-reported spousal abuse in 2009 was in line with the national rate.

VAW Programs and Services Administered by Ministry of Community and Social Services

For programs and services funded by the Ministry of Community and Social Services (Ministry) to assist women and children who are fleeing domestic violence, we found that the Ministry did not know whether services were sufficient to meet the needs of abused women and their children and did not have sufficient information to properly assess the effectiveness of the VAW programs and services offered.

Our more significant observations included the following:

- The Ministry does not have the information needed to identify the unmet demand for VAW services and in turn allocate resources to close the gap. For example, in the 2011/12 fiscal year, emergency shelters reported that they initially turned away almost 15,000 women in total, or 56% of women who sought help from them. However, this figure overstates unmet demand because the Ministry does not track how many of the women who were turned away were referred to another agency where they did receive services. The Ministry also has no information on how many of these women were turned away because the shelter was full and how many were turned away because they had not been abused and were therefore ineligible for VAW services. Emergency shelter directors said that if their shelter is full, they refer abused women to other emergency shelters first, followed by homeless shelters, because homeless shelters do not have appropriate supports for abused women and their children. And, as noted, neither the shelter directors nor the Ministry knew whether the women who were referred elsewhere ultimately received services.
- Despite the recommendations made in our 1994 and 2001 audits of VAW programs and services, the Ministry still has not developed any standards, service directives or guidelines for services provided under VAW funding, such as minimum staffing levels, admission criteria and exit criteria for emergency shelters.
- The Ministry's monitoring efforts are not sufficient to identify possible service gaps, inefficiencies in service delivery and inequities across agencies and regions. For instance, although agencies that deliver the same type of service are required to report on the same types of data, the Ministry does not compare the results of one agency to another. Instead, the Ministry's analysis is limited to totalling reported results by region and for the province overall, but only for select types of data. The types of data that are not analyzed, but that could provide useful insight, include the number of women not served by service type, and the proportion of women served who found housing.
- Ministry funding to transfer-payment agencies is generally historically based, with little or no correlation to identified needs or past performance. As a result, we found significant variations in actual unit costs among agencies providing similar services. To illustrate, in

2011/12, Ministry-approved annual funding for 10-bed emergency shelters ranged from $334,000 to $624,000. Consequently, the per-day cost of care at emergency shelters ranged from $90 to $575.

- The Ministry's client satisfaction survey, conducted to assess users' perceptions of VAW services, provides limited value because of a low response rate and the limited number of agencies represented. For example, the response rate in 2011/12 could have been as low as 4% if women followed the Ministry's requirement of completing a separate survey for emergency shelter services, counselling services and services from the Transitional and Housing Support Program. In addition, no surveys were completed for 20% of agencies, and fewer than 10 surveys were completed for an additional 40% of agencies. The survey results' usefulness was also limited because responses to the survey were consolidated irrespective of the nature of the service being provided. Consequently, it is not known to which specific service the survey responses pertained. Most agencies we visited conducted their own satisfaction surveys or exit interviews with clients, but in general they did not compile or analyze the responses to identify areas for improvement.
- In 2009, a Building Condition Assessment of VAW shelters (which included a security assessment) identified more than 500 safety and security items that required attention across all VAW shelters. As of March 31, 2012, which was the latest available status update, the Ministry had provided funding for only 10% of the identified safety and security deficiencies, but did not know whether the funded projects had been completed or whether the agencies themselves had paid to fix any of the remaining 90% of the identified deficiencies. The Ministry does not perform site inspections. Therefore, it might not know the true status of safety and security issues at VAW shelters until it performs another Building Condition Assessment of VAW shelters, which is expected to occur by March 2019.
- For approximately 20 years, Statistics Canada has been surveying all residential facilities providing services to abused women and their children across Canada and collecting information on both the services provided and the clientele. This survey, currently called the Transition Home Survey, collects information that the Ministry would find useful in helping it assess its programs' effectiveness, such as the number of repeat users, the number of women turned away from shelters and the reasons for their being turned away, and what service gaps and other challenges are faced by shelters and residents. Since Statistics Canada publicly reports only select information that may or may not have been included in a previous report, the Ministry would be well served to request more detailed survey results in order to best identify where improvements are needed in Ontario and how it compares to other jurisdictions.

OVERALL MINISTRY RESPONSE

The violence against women (VAW) program provides a system of support services that are designed to meet the diverse needs of women and children at the local level, including emergency shelter, counselling, child witness program, transitional and housing support, and provincial crisis line services. Programs are delivered by non-profit, volunteer boards of directors that are accountable to the Ministry for the effective use of public funds.

The Ministry appreciates the findings and recommendations of the Auditor General that build on improvements under way:

- In 2010, the Ministry developed a resource guide to assist shelter agencies with the development of their policies and procedures. It is intended to help agencies provide high-quality services.

- In the 2012/13 fiscal year, the Ministry updated the Transfer Payment Governance and Accountability Framework in order to support the implementation of new data reporting requirements and has implemented standardized expenditure categories in order to provide better analysis of agency costs.
- Reporting requirements for transfer payment agencies were changed for 2012/13 and 2013/14 to improve the Ministry's ability to collect accurate information on factors that affect program costs and to compare costs between agencies providing similar programs. These changes will provide more consistent, meaningful and reliable data to measure the performance of programs and support the program planning needs of the Ministry and agencies.
- The Ministry is also reviewing the Transfer Payment Risk Assessment Methodology and Tools to improve its effectiveness.

The Ministry is developing an Asset Management Framework to better support capital funding decision-making and will complete Building Condition Assessments of all Ministry-funded sites over the next five fiscal years.

The Ministry agrees that the co-ordination of services could be strengthened through building on existing forums and established relationships. The Ministry will develop a strategic plan to identify priorities for areas such as regional planning activities, provincial reporting and enhanced service system co-ordination across sectors. To improve client evaluation, the Ministry is assessing ways to capture the impact of VAW programs on women escaping abuse who may not be willing or able to recount their experiences.

Detailed Audit Observations

PROVINCIAL INITIATIVES

Over the last decade, the provincial government has released two action plans to help prevent violence against women and improve supports for those affected:

- the Domestic Violence Action Plan (2004), and
- the Sexual Violence Action Plan (2011).

The two action plans were developed by the government after consultation with survivors/victims, front-line service providers and other experts in the health, education and justice sectors, as well as in the community. Both plans outlined commitments that were initially expected to be implemented over a four-year period.

In 2007 the government also posted on its website the Strategic Framework to End Violence Against Aboriginal Women, which was developed by aboriginal organizations after consultation with aboriginal community leaders. Although the Domestic Violence Action Plan is intended for all women, the aboriginal community believed that a separate strategy was required because aboriginal women suffer higher levels of abuse than non-aboriginal women. To illustrate, in 2009, the most recent year for which data was released, Statistics Canada reported that on a national level aboriginal women were almost three times more likely to experience domestic violence than non-aboriginal women, and more than 40% more likely to suffer injury from that abuse. The government has not made a commitment to implement the recommendations of the strategic framework, but it has endorsed the framework's overall objectives and approach as a useful tool for planning and establishing government priorities.

Figure 2 summarizes the objectives, areas of focus and commitments for both action plans and the strategic framework.

Responsibility for implementing the action plans rests with the Ministerial Steering Committee on Violence Against Women (Committee), which comprises 13 ministers and is chaired by the Minister Responsible for Women's Issues. The Committee is supported by the Ontario Women's Directorate (Directorate), which is responsible for co-ordinating the action plans' implementation across the ministries. With respect to the strategic framework, the Committee established a Joint Working Group on Violence Against Aboriginal Women to identify priorities and opportunities for support, development and implementation of policies, programs and services that prevent and reduce violence against aboriginal women and their families.

We requested a status update from the Directorate on the various commitments and recommendations under the action plans and the strategic framework and noted the following:

- The Directorate maintained an internal tracking report for the Domestic Violence Action Plan that outlined commitments, implementation status and achievements by ministry for each focus area. This internal tracking report was last updated in 2008, even though the latest progress report on the action plan was released in 2012. The Directorate informed us that after 2008, it had ongoing verbal communication with the ministries to update the status and achievement for each commitment. According to the 2008 tracking report, 75% of commitments were completed, 20% were in progress and 5% were outstanding. The status of commitments in 2012 was unclear because the publicly released progress report is mainly anecdotal and does not include a clear listing of commitments.
- The Directorate has been tracking the stage of completion for each commitment in the Sexual Violence Action Plan. At the time of our audit fieldwork, the last update prepared by the Directorate was as of January 2013; this assessment indicated that 60% of commitments were completed and 40% were in progress. Subsequent to our fieldwork, the Directorate publicly released a progress report. Similar to the 2012 publicly released progress report on the Domestic Violence Action Plan, the report is mainly anecdotal and contains no clear listing of commitments or their status.
- Action taken to address concerns raised in the Strategic Framework to End Violence Against Aboriginal Women has been slower than expected. The Ministerial Steering Committee established the Joint Working Group on Violence Against Aboriginal Women in fall 2010, three years after the framework was developed. In May 2012, the working group developed a work plan, and in September 2012, it released its first progress report, covering initiatives undertaken between 2010 and 2012. We reviewed the work plan and the progress report and noted that work was in progress for all actions in the work plan.

The establishment of the action plans, including the collaborative process used and the government's recognition of the strategic framework for aboriginal women, are steps in the right direction with regard to helping reduce violence against women and attempting to provide a more accessible and responsive system for those who experience abuse. However, neither the overall plans nor the individual commitments within these plans had any specified measurable outcomes against which to assess their effectiveness in preventing violence or improving services for those affected. The status updates generally reported achievements in the form of activities, such as an increase in number of shelter beds, number of women served or number of safety plans completed. To illustrate:

- The Domestic Violence Action Plan included a commitment to increase funding to community-based counselling services in order to address wait lists and gaps in service for specific populations. The status update reported an increase in the number of people counselled, but made no determination on whether the wait lists and gaps in service were addressed. Moreover, the Ministry did not

Figure 2: Initiatives Developed to Address Violence Against Women

Prepared by the Office of the Auditor General of Ontario

Initiative	Objective/Pupose	Areas of Focus	# of Ministries with Commitments	Commitment ($)
Domestic Violence Action Plan (2004)	To bring a collaborative approach focused on preventing domestic violence and improving supports for abused women and their children	• Identify women and children at risk and intervene earlier • Change attitudes to prevent violence from happening in the first place • Provide better community-based supports for victims • Improve access and equity to services • Strengthen the justice system response • Provide better access to French-language services	7 ministries and the Ontario Women's Directorate	$113M ($87M new funding and $26M reallocation of existing funding)
Sexual Violence Action Plan (2011)	To take a co-ordinated and collaborative approach to prevent sexual violence and improve education, justice and service supports for women who have experienced sexual violence	• Prevent sexual violence • Train front-line service providers • Improve services provided by sexual assault centres and domestic violence centres • Help survivors navigate the system of supports • Improve supports for aboriginal women • Improve access to services for francophone women • Improve access to interpreters • Respond to victims of human trafficking • Strengthen the criminal justice response • Reform legislation and hold offenders accountable • Community collaboration	3 ministries and the Ontario Women's Directorate	$18M ($11M new funding and $7M reallocation of existing funding)
Strategic Framework to End Violence Against Aboriginal Women (2007)	To have the government work collaboratively with aboriginal organizations and communities to develop a "continuum of care" to address issues related to violence against aboriginal women	The following are not ministry strategies, but have been proposed by the authors of the framework: • Undertake comprehensive research and data collection on issues related to aboriginal women and violence • Legal reform and legislative change • Creation of a comprehensive policy to target and address violence against all aboriginal women in Ontario • Creation of a sustained policy and program infrastructure • Public education campaign to raise awareness of violence against aboriginal women • Build and sustain aboriginal community and organizational capacity, as well as government capacity to end violence against aboriginal women • Support and build community leadership that works toward ending violence • Ensure accountability for a broad commitment to the strategy	None directly	None

have information on what the wait lists and gaps in service were.

- Under the focus area of strengthening the criminal justice response, the Sexual Violence Action Plan included a commitment by the Ministry of the Attorney General to provide enhanced training to justice personnel in order to improve their understanding of the impact of sexual assault on victims and in turn improve the criminal court system's response to sexual assault. The status update noted that a two-day training program was held for Crown attorneys, police and co-ordinators of Domestic Violence Treatment Centres. However, there was no assessment of how this action improved the criminal court system's response to sexual assault.

The Directorate told us that individual ministries were responsible for setting their own targets and tracking their progress. However, our audit work at the Ministry of Community and Social Services indicated that the Ministry had not done this for its own commitments.

Domestic Violence Advisory Council

In addition to the action plans and the strategic framework, in 2007 the Minister Responsible for Women's Issues established the Domestic Violence Advisory Council (Council), which comprises primarily stakeholders and researchers, to provide advice on how to improve the system of services to better meet the diverse needs of abused women and their children without incurring any additional costs for the government. In May 2009, the Council released a report that contained 45 recommendations in the following priority areas: government leadership, access to and equity in delivering VAW programs and services, education and training for professionals and the public, child welfare, legal response to violence, and threat assessment and risk management to identify those who are most dangerous to women. Most of the recommendations were directed toward the Ministry of the Attorney General and the Directorate. At the time of our audit fieldwork, action was still in progress on three-quarters of the recommendations.

Change in Prevalence of Violence Against Women

Because the progress reports on the Domestic Violence Action Plan and the Sexual Violence Action Plan are silent on whether there has been any change in the prevalence of violence against women since the plans were created, we reviewed the latest available data from Statistics Canada's General Social Survey to assess their impact, if any. As shown in Figure 3, the percentage of women in Ontario who reported having experienced spousal violence within the previous five years decreased by 0.7 percentage points, from 7% in 2004 to 6.3% in 2009. Moreover, self-reported spousal abuse has been declining across the country, and in 2009, Ontario's rate was in line with the national rate. As a result, it is not clear whether this co-ordinated effort by the province has made a difference in the prevalence of domestic violence.

At the time of our audit, no statistics were available to determine whether the prevalence of sexual violence against women in Ontario has changed as a result of the Sexual Violence Action Plan.

RECOMMENDATION 1

To assess whether the province's Domestic Violence Action Plan and Sexual Violence Action Plan have reduced domestic and sexual violence and improved supports for women who have experienced violence and their children, the Ontario Women's Directorate should ensure that the commitments contained within the action plans have measurable goals or targets attached to them and that progress is regularly assessed and reported.

ONTARIO WOMEN'S DIRECTORATE RESPONSE

The Ontario Women's Directorate acknowledges the recommendations made by the

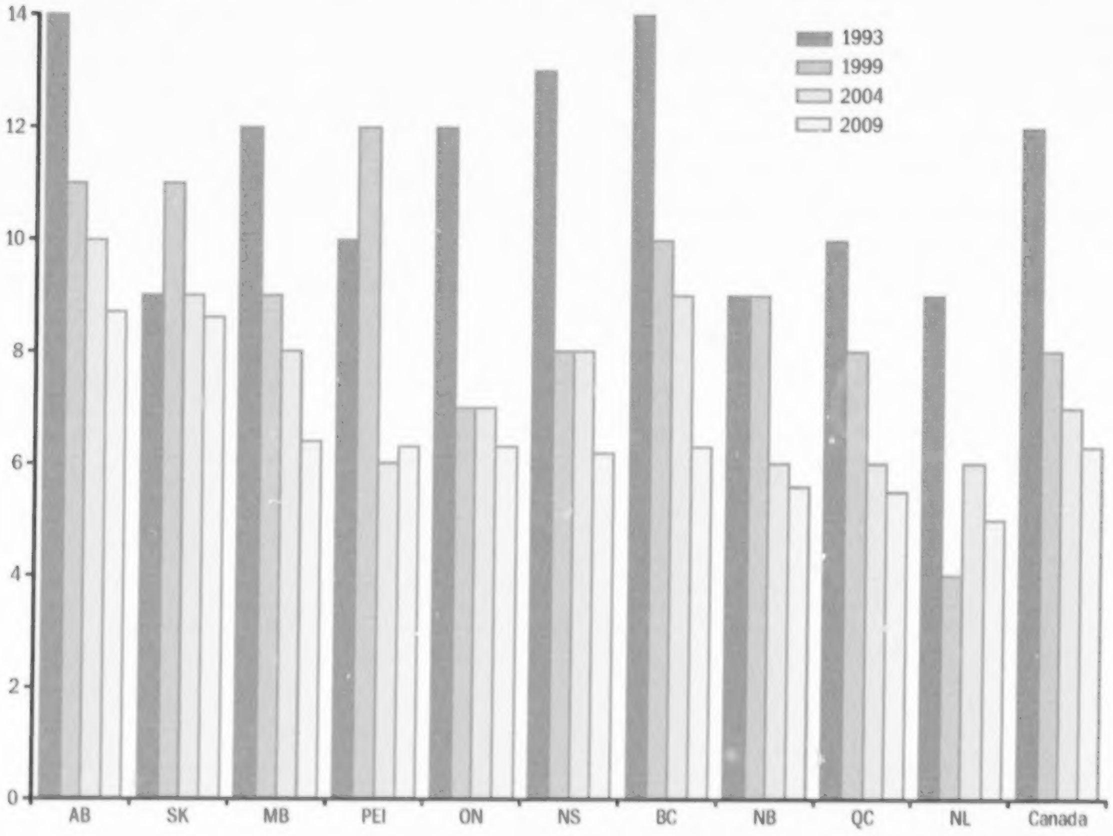


Figure 3: Percentage Rate of Self-reported Spousal Violence, by Province

Source of data: Statistics Canada

Auditor General of Ontario, and welcomes her input on how it can further improve its tracking and reporting on initiatives aimed at improving supports for victims and preventing domestic violence and sexual violence in Ontario.

Domestic violence and sexual violence affect women and girls across Ontario. While progress is being made, there is much more to be done.

The Ontario Women's Directorate appreciates that measurable goals and targets are necessary for assessing progress. In response to the recommendations, the Ontario Women's Directorate will work with ministries to determine ways to refine existing goals and targets, and improve the assessment and public reporting on progress.

SHELTER/HOUSING AND COUNSELLING SERVICES FOR VICTIMS OF DOMESTIC ABUSE

Overview of Service Delivery

Women who are experiencing domestic abuse (that is, abuse by a partner, a significant other or a male family member) and who wish to leave a violent domestic situation can access community-based emergency shelters and crisis support services for themselves and their children. Although women may be referred by health professionals or social workers, abused women can also access VAW services directly. Emergency shelters, which are intended only for women who have experienced domestic abuse and their children, provide safe temporary lodging and crisis counselling. Staff at the shelters develop personalized safely plans to help women stay safe, provide esteem building and offer crisis counselling.

Many emergency shelters provide additional services for which they are funded separately—for example, counselling services and transitional and housing support services, which aim to help connect the shelters' clients with community supports for the purpose of finding and maintaining housing in an effort to live independently and away from their abuser. Many emergency shelters also provide services to children who have witnessed abuse at home and whose mothers are receiving supports through the VAW program, to help them heal from the harmful effects of witnessing violence and thus avoid the need for more intensive supports in the future. If shelters do not provide these services in-house, they can refer abused women to other agencies for service. Emergency shelters also provide crisis phone-counselling assistance to abused women who are still at home by informing them of their rights and options and of services available to help them manage their situations. In contrast, women who have become homeless for any reason other than domestic abuse are typically served in homeless shelters, which are administered by municipalities. Homeless shelters, which may house both men and women in the same facility, do not offer the supports and services available in emergency shelters.

In the 2012/13 fiscal year, shelters in Ontario that provided temporary accommodation and security to women and children fleeing violence had a total capacity of approximately 2,000 beds. In 2011/12 (the latest year for which occupancy and length-of-stay information was available at the time of our audit), the shelters' average annual occupancy rate was 82%, and the average length of stay at a shelter was one month.

Standards for Service Quality

In our 1994 and 2001 audits, we noted that the Ministry had not developed any standards, service directives or guidelines for services to be provided under VAW funding. We recommended that the Ministry develop such standards and regularly monitor agencies' performance against them. In 2010, the Ministry created the *Resource Guide to VAW Shelter Policy and Procedure Development* to assist VAW shelters in providing consistent high-quality services to women and their children who access Ministry-funded shelters across the province. This document is intended to be a resource for VAW shelters in developing and/or refining their current policies and procedures. It is not intended to be a directive or a set of standards that the Ministry expects all VAW shelters to meet. The guide encourages service providers to have policies in several areas (including governance, admission criteria, staffing and physical security). However, the guide does not indicate what the standards or guidelines should be. Its application is therefore unlikely to result in consistent province-wide service quality.

For the three regional offices we visited, we saw no evidence that the Ministry reviewed whether agencies had in fact put policies in place as outlined in its guide. The Ministry's position is that each agency's board of directors is responsible for the day-to-day management of the shelters, including admission criteria, and operating policies, including staffing levels. During our visit to select agencies, we noted that these agencies had established policies in many areas. However, none of the agencies we visited had policies on staffing levels represented by minimum staff-to-bed ratios, or policies aimed at ensuring that women who were referred elsewhere for services due to overcapacity actually received services. Moreover, we noted a number of inadequate and differing policies across the agencies we visited, a situation that could lead to inconsistent access to services and that did not permit useful comparisons of service-level data. For example:

- *Admission Criteria:* One shelter told us that it accepted women who were homeless but not abused, whereas others indicated that they accepted only women who were fleeing domestic violence, as intended by the Ministry. Based on the Transition Home Survey conducted by Statistics Canada to collect data on residential services for abused women, more than 20% of women who sought shelter in Ontario on April 15, 2010, did so for reasons other than abuse. One shelter accepted only women with children, whereas most shelters accepted abused women with or without children. In the latter case, some agencies would not house a woman without children in the same room as a woman with children, but others would. The age at which male children could not be admitted also varied, ranging from 15 to 18.

- *Exit Criteria:* Although most agencies had discharge policies stating that specific behaviours—such as violence, drug use or weapons possession—would result in immediate discharge from a shelter, we noted that others stated only that women were allowed to remain in the shelter until housing or other alternatives were found in the community. Only one agency had established a length-of-stay policy.
- *Staff Screening:* All agencies we visited required that employees undergo a background check through the Canadian Police Information Centre (CPIC), including Vulnerable Sector screening, before being hired. However, only 69% of the employee files we reviewed included a CPIC check. As well, three-quarters of the agencies we visited did not require employees to get an updated CPIC check after being hired. As a result, some CPIC checks on file were more than a decade old.

RECOMMENDATION 2

To help ensure that the services provided by transfer-payment agencies to abused women and their children are of an acceptable and reasonably consistent quality standard, the Ministry of Community and Social Services should:

- establish acceptable quality standards for shelter services, particularly with regard to admissions, minimum staffing levels and periodic Canadian Police Information Centre checks for shelter staff; and
- regularly monitor agencies' performance against standards and take appropriate corrective action if necessary.

MINISTRY RESPONSE

The Ministry balances the need for VAW shelters to be accountable to the Ministry with the need for VAW shelters to be reasonably autonomous and flexible in carrying out their day-to-day responsibilities. This includes allowing shelters to develop their policies and procedures for responding to the unique needs of their communities. Each shelter has an independent board of directors that is responsible for the day-to-day management of the shelter, including setting admission criteria and policies for residential operations such as staffing levels.

The annual service contract between the Ministry and each agency sets out the requirement for agencies to evaluate the quality of service delivery according to the objectives set out in the service contract. The Ministry will strengthen its monitoring of agencies' performance against agency-established standards and take appropriate action if necessary.

The Ministry will also require Canadian Police Information Centre checks for shelter staff every three years.

MONITORING SERVICE DELIVERY AND EXPENDITURES

The Ministry enters into an annual service contract with each of its VAW transfer-payment agencies that, among other things, outlines the services to be provided, the amount of annual funding, and the service-level targets to be achieved. Agencies are required to submit quarterly reports that compare actual expenditures and service-level data against targeted amounts, and provide explanations for significant variances.

Ministry monitoring activities do not include site inspections of VAW agencies. One-third of the agencies we visited told us that regional ministry staff had not come to their facility in more than a year. Where regional ministry staff did visit an agency, it was to help provide clarification on changes to service-level data requirements or to attend a board meeting. Most VAW agencies we visited told us that within the previous year a ministry representative had attended at least one of their board meetings, which don't necessarily occur at the shelter.

We reviewed the Ministry's monitoring activities and analyzed the data submitted by agencies for the 2011/12 fiscal year, and noted the following:

- Although all agencies had submitted quarterly reports for 2011/12, almost 20% of the quarterly reports we sampled did not contain all required variance explanations. In addition, we noted that where explanations for significant variances were provided, they often provided little insight into the cause, and that the Ministry's regional staff did little or no follow-up.
- The Ministry does not have adequate procedures in place to verify the accuracy or reasonableness of the data received from agencies—a situation that could lead the Ministry to make decisions based on unreliable data. For instance, we saw no evidence that the Ministry spot-checks supporting information. We compared a sample of the 2011/12 data contained in the Ministry's information system with records maintained at the agencies we visited and found that 42% of the data sampled did not agree with the agencies' internal records. Moreover, agency staff were not able to reconcile the figures. The Ministry also does not analyze the service-level data for reasonableness. As a result, we found that 36% of shelters reported preparing more safety plans than the number of clients they served, and one agency providing services under the Transitional and Housing Support Program reported finding housing for more women than it reported actually serving.
- We noted that the Ministry's analysis of service-level data was not sufficient to identify possible service gaps, inefficiencies in service delivery, and inequities across agencies and regions. Although agencies that deliver the same service are required to report on the same types of data, the Ministry does not compare the results reported by one agency to those reported by other agencies. For the 2011/12 fiscal year, the Ministry's analysis consisted of totalling reported results by region and for the province overall—and only for selected types of data. Although the Ministry analyzed the number of service providers by service type, the number of women served by service type, and occupancy rates and average length of stay for emergency shelters, it did not analyze the number of women not served (because of either ineligibility or lack of capacity) by service type, and the proportion of women served who found housing.
- We also found that some of the information collected had limited usefulness. For example, until 2011/12, each emergency shelter was asked to report the number of women it did not serve (that is, turned away) but was not asked to report the cause. Therefore, it is not known how many women were turned away because they were ineligible for service and how many were eligible and were ultimately served by another shelter. Starting in 2012/13, each shelter was asked to report the number of women referred to more appropriate services (that is, how many were turned away because they were deemed ineligible for emergency shelter services or because, even though eligible, they required services in French) and the number of women referred elsewhere due to service capacity (that is, eligible women who were turned away because that shelter was full). However, the

Ministry still does not know whether eligible women who were turned away from one emergency shelter were ultimately served by another. In another example, occupancy rates at emergency shelters are calculated based on the number of beds occupied. However, a shelter may be considered full even though all beds are not filled—as would be the case, for example, where a woman and her child or children occupy a room with more beds than the number of family members. Given the existence of such scenarios, shelters may frequently reach capacity, yet occupancy rates would seldom reflect that.

RECOMMENDATION 3

To better ensure that the quarterly reporting process for transfer-payment agencies providing services to abused women and their children furnishes sufficient information to enable cost-effective monitoring of expenditures and service delivery, the Ministry of Community and Social Services should:

- require transfer-payment agencies to submit only data that is useful for analyzing service costs and gaps in services; and
- develop procedures, such as periodic spot checks of submitted data, to ensure that data reported by transfer-payment agencies is accurate, consistent and reasonable.

MINISTRY RESPONSE

In the 2012/13 fiscal year, the Ministry made changes to the type of data transfer-payment agencies are required to submit for monitoring purposes. These changes are expected to enhance the Ministry's ability to examine value for money and explain significant variances. The Ministry will monitor whether the new data requirements are useful in analyzing service costs and gaps in service, and will make changes as necessary.

In addition, in the 2013/14 fiscal year the Ministry implemented standardized expenditure categories that are in line with the Ministry's Chart of Accounts. The standardization of accounts allows for cost comparisons between agencies. This information is currently uploaded into the Ministry's centralized information system, which will allow Ministry staff to develop reports.

As well, for a number of years, ministry staff have had the ability to generate business reports that allow them to identify missing data, data anomalies and significant variances reported by agencies. The Ministry will assess the feasibility of developing further procedures, including periodic spot checks at VAW agencies, to ensure that data reported by agencies is accurate, consistent and reasonable.

As improvements are made, the Ministry will continue to provide staff training to ensure a consistent approach to contract management and analysis of quarterly reporting information.

MONITORING QUALITY OF SERVICES PROVIDED

Satisfaction Surveys

Since June 2010, the Ministry has been conducting a client satisfaction survey to assess client perceptions of VAW services. The survey is voluntary and intended for women who have accessed emergency shelters (11,600 women in 2011/12), counselling services (48,000 women in 2011/12) and/or the services of the Transitional and Housing Support Program (22,000 in 2011/12). (Since abused women can access more than one VAW service, these numbers should not be added to yield the total number of women receiving VAW services.) The survey aims to assess whether the programs have increased women's safety, well-being and sense of empowerment, as well as increased accessibility and responsiveness of VAW services. Women can complete the survey anonymously, either online or in paper format at the various agency locations. The Ministry pays agencies an annual total of $430,000 to administer this survey.

The 2011/12 survey results indicated that almost 90% of women who responded to the survey felt safer, more confident and better able to make decisions and set goals for themselves after receiving VAW services. Regarding access to services, 54% of respondents said that the agency had helped them find a safe place to live and 72% of respondents said that the agency had helped them find other services in their community. When asked about waiting times, 53% of respondents said that they were able to get help immediately from the agency, an additional 25% were served within a week, and the remaining 22% said that they had waited more than one week.

Although the survey is available in approximately 15 languages, the response rate has been low. In both the 2010/11 and 2011/12 fiscal years, only 3,200 surveys were completed. Assuming that a woman completes a separate survey for each VAW service she has accessed in the year, as stipulated under the Ministry's service agreements with agencies, the client satisfaction survey participation rate may be as low as 4%. Furthermore, respondents did not answer every question on the survey, with the number of responses per question often being only half the total number of survey respondents. In addition, most responses came from women served by a limited number of agencies. For example, in 2011/12, no surveys were completed for 20% of agencies, and fewer than 10 surveys were completed for an additional 40% of agencies. These agencies were nevertheless paid almost $260,000 in total to administer this survey. Therefore, the survey results may not be representative of the women served or of the agencies providing VAW services.

Because many agencies provide multiple VAW services, it is not always clear to which specific service the survey responses pertained. The Ministry also told us that it does not review results by agency, even though the computer system could generate such reports if requested. As a result, the Ministry could not assess satisfaction with the services for each agency.

Program Evaluations

Contracts require agencies to outline how they will evaluate each VAW program or service they offer. However, we found that the evaluation methods varied widely among agencies. For instance, some agencies listed the Ministry's reporting requirements as the only method of evaluation (for example, reporting against service-level targets or having clients complete the Ministry's client satisfaction survey), whereas others listed more comprehensive evaluation methods (such as internal program reviews, focus groups with staff or former clients, and exit surveys). Under the terms of the contracts, agencies are not required to submit their program evaluations to the Ministry as evidence that their programs and services have been evaluated. In addition, the Ministry has no other procedures to ensure that programs and services are being evaluated as stipulated in the contracts.

For the agencies we visited, where the program evaluation methods were other than or in addition to the regular reporting requirements, only half provided us with evidence that they completed the evaluations as stated in their contracts. No agency had voluntarily submitted any program evaluations it had completed, and there was no evidence that the Ministry had requested the evaluations for review in an attempt to assess quality of service, determine areas for improvement, or highlight best practices that could be shared with other service providers.

Most agencies we visited indicated that they conduct their own satisfaction surveys or exit interviews with clients, but two-thirds did not compile and analyze the responses to assess satisfaction with services and identify areas for improvement. For the two agencies that did compile and analyze survey and interview responses, one of the agencies informed us that it provided a summary to its board of directors, and the other said that it did not do this and had not been asked to do so by its board.

Risk Assessments

Ontario's Transfer Payment Accountability directive requires ministries to establish risk criteria for assessing the ability of service providers to meet service-delivery objectives. To this end, the Ministry has developed a risk-assessment questionnaire to be completed by service providers. The Ministry uses the agencies' self-assessments to determine their overall risk level. All agencies were assessed in the 2011/12 fiscal year, and almost all assessed themselves as low risk, yet three-quarters of all agencies did not meet their service-level targets as set out in their contracts for more than 50% of the programs and services the agencies were contracted to provide. In addition, for a sample of agencies in the three regions visited, we noted that although all agencies with identified risks or problems had developed action plans for mitigating those risks, the Ministry had requested verification of corrective action taken in only one-third of these cases.

Security Assessments

Providing a safe and secure environment for women in emergency shelters is paramount in helping them overcome the trauma associated with the violence they and their children have experienced.

In 2009, the Ministry completed a Building Condition Assessment of VAW shelters, which included looking at facility security measures (such as site surveillance cameras, motion sensor lighting, enclosures for outdoor areas, security windows, interior security systems, entrance supervision and door locks). This assessment identified more than 500 safety and security items that required attention across all VAW shelters. The estimated cost to upgrade or install these security measures totalled $10.3 million. Each item that was identified was labelled either low, medium or urgent priority. We reviewed the status update on the security assessment as of March 31, 2012, the latest available during our audit, and noted that the Ministry had provided funding for only 10% of the identified safety and security issues, regardless of priority level, but did not know whether the projects had been completed, as illustrated in Figure 4. Urgent-priority items that had not been funded by the Ministry and could still be outstanding included fire alarm systems and emergency power systems. The Ministry informed us that the decision to fund a project was based not on its assigned priority level from this assessment, but rather on what the agencies put forward through the annual infrastructure survey. In addition, the Ministry informed us that it is aware of only those capital projects it funds directly, and that more safety and security deficiencies may have been addressed if they were funded directly by the agencies through their operating funds or other sources. Because the Ministry does not perform site inspections, it might not know the status of safety and security issues at VAW shelters until it performs another Building Condition Assessment of VAW shelters, which is expected to occur by March 2019.

RECOMMENDATION 4

To ensure that the services being provided to abused women and their children are meeting their needs and are delivered in a safe and secure environment, the Ministry of Community and Social Services should:

- consider ways to increase the response rate on the client satisfaction survey, and analyze results by the nature of the service being provided;
- require agencies to periodically submit their program evaluations for ministry review, and subsequently ensure that areas requiring attention are corrected and best practices are shared with other service providers; and
- implement a plan for correcting significant safety and security deficiencies identified in the Ministry's 2009 Building Condition Assessment.

Figure 4: Status of Ministry Funding of 2009 Recommended Safety and Security Installations/Upgrades for Emergency Shelters, as of March 31, 2012

Source of data: Ministry of Community and Social Services

Priority Level	Safety and Security Deficiencies	Funded by Ministry	Not Funded by Ministry	% Not Funded by Ministry
Low	307	18	289	94
Medium	66	9	57	86
Urgent	133	9	124	93
Total	**506**	**36**	**470**	**93**

MINISTRY RESPONSE

The Ministry is currently assessing ways to capture the impact of violence against women (VAW) programs on women escaping abuse who may not be willing or able to recount their experiences. The Ministry will work with agencies with the expertise on the dynamics of violence against women to help make improvements to client-based outcome tools such as the client satisfaction survey.

The Ministry acknowledges the need to have agencies periodically submit their program evaluations for ministry review. The Ministry will ensure that areas requiring attention are corrected and, where possible, share best practices among agencies.

The Ministry is developing an Asset Management Framework to better support decision-making regarding the use of the Ministry's limited capital funding. As the basis for the framework, the Ministry will be procuring services to complete Building Condition Assessments of all Ministry-funded sites, including VAW sites, over the next five fiscal years. The Ministry is determining which sites will be assessed at which times, but all VAW sites will be assessed over the life of the project.

MEETING DEMAND FOR SERVICES

The Ministry lacks the information that would allow it to identify the unmet demand for services and in turn to allocate the appropriate resources to close the service gap. The two crucial pieces of information the Ministry needs are:

- How many abused women who were eligible for services did agencies turn away because they did not have the space or resources to serve them?
- Of those women, how many were referred to other VAW agencies and received the necessary help?

The Ministry only tracks the number of women who, whether eligible or not, sought services and did not initially receive them. In the 2011/12 fiscal year, that number for emergency shelter services was almost 15,000, or 56% of women who sought these services, and the number for VAW counselling services was more than 3,000, or 6% of women who sought these services. But because the Ministry does not track which of those women who were eligible were then referred to other VAW agencies and served, it does not know for any given year how many eligible women who sought help were not served.

All of the emergency shelter directors we spoke to said that they try to refer abused women to other emergency shelters first, followed by municipally operated homeless shelters. However, none followed up with the shelter to which they referred each woman to determine whether she had arrived and received help. To maintain confidentiality, emergency shelter staff told us that they call around to locate a shelter with room, give that shelter's address to the woman, and leave it up to the woman whether or not she goes there. We contacted the largest municipalities in three regions to determine how many abused women were placed in their homeless shelters. Only one of the three municipalities we contacted maintained information on VAW clients served in its homeless shelters. In this region, almost 900 VAW clients were accommodated in homeless shelters (which are less suitable because they do not provide the appropriate supports for abused women and their children).

The Ministry does not track information on wait-list length and wait times for VAW services. Only one of the shelters we visited kept a wait list for counselling services. In this case, the wait for family counselling was three months. We also reviewed documentation regarding service needs from agencies we did not visit and noted a five-month wait for long-term counselling at one agency and an 18-month wait for individual trauma therapy at another agency.

In 2011/12, cumulative data reported by all agencies indicated that only one-third of women who sought services from the Transitional and Housing Support Program found housing. Agencies told us that social housing is harder to find in metropolitan areas, as was evident from the fact that the length of stay at shelters in metropolitan areas was higher than in smaller communities.

RECOMMENDATION 5

To better ensure that the service needs of abused women and their children are met, the Ministry of Community and Social Services should:

- require agencies to maintain wait-list information for their services; and
- review the feasibility of implementing a system to determine whether women who are eligible for VAW services but must be referred elsewhere by an agency, because of capacity issues, actually receive the needed services.

MINISTRY RESPONSE

As part of the improvements made to the Ministry's reporting requirements in 2012/13, the Ministry implemented the requirement for agencies to track and report both the number of women who are referred elsewhere for services and the number of women waiting for service at any point in time during the reporting period. The Ministry acknowledges the importance of collecting agency wait lists and will assess the feasibility of requiring VAW agencies to collect this information.

The collection of data must consider the safety and well-being of abused women and children. The Ministry does not require agencies to track whether women have received services when they are referred to other agencies for shelters, counselling, and transitional and housing supports. In the 2008/09 fiscal year, the Ministry removed the requirement for service providers delivering the Transitional and Housing Support Program to track and report the number of women who had found and maintained housing for six months. Service providers informed the Ministry that results would be unreliable and attempting to contact these women could place them at an increased risk of violence.

In light of the Auditor's recommendation, the Ministry will assess the feasibility of requiring VAW agencies to develop protocols and procedures to determine whether women received services from other service providers.

FUNDING

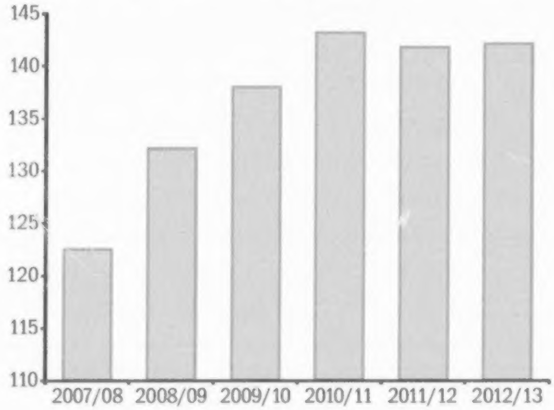
Over the past five years, Ministry funding to transfer-payment agencies for VAW programs and services increased by 16%, from $122 million in the 2007/08 fiscal year to $142 million in 2011/12, as shown in Figure 5. This $20 million increase was a direct result of the Domestic Violence Action Plan, which included increases in base funding for all VAW programs and services, as well as additional funding for existing and new shelter beds and for the expansion of francophone services.

Although transfer-payment agencies are required to submit an annual budget to secure funding for the following year, we noted that agency funding is generally historically based, with little or no correlation to identified needs or past performance. In particular, we identified the following with respect to the Ministry's funding of transfer-payment agencies:

- The approved budget remained the same for three consecutive years, from 2009/10 through 2011/12, for 84% of agencies that operated emergency shelters and 93% of agencies that provided counselling services.
- There was little correlation between service-level targets and the amount of annual funding the Ministry approved. For example, 50% of emergency shelters that reduced their service target for the number of women to be served by at least 10% for 2011/12 were approved either for the same amount of funding or more than in the previous year. Conversely, 56% of emergency shelters that increased their service level targets for the number of women to be served by at least 10% for 2011/12 were approved for the same amount of funding or less than in the previous year. Fixed costs incurred by shelters prevent immediate changes in funding level. However, we noted that agencies with similar targets for the same service received different levels of funding. For example, in 2011/12, funding for 10-bed shelters ranged from $334,000 to $624,000, even though the agencies at the high and low ends of the range were located in the same region. Funding for a target of 1,200 direct hours of transitional and housing support services ranged from $67,000 to $141,000 per agency. The Ministry has not looked at the variances to determine whether they are reasonable.

Figure 5: VAW Transfer Payments, 2007/08–2012/13 ($ million)

Source of data: Ministry of Community and Social Services



- An agency's performance had little impact on the funding it received the following year. For example, 30% of emergency shelters missed their service targets for the number of women to be served by at least 10% in 2010/11, but received the same amount of funding or more the following year.
- For an individual agency, a permanent change in its annual funding level occurs mainly when there is a change in the programs or services it provides. During the last decade, most other changes to an agency's annual funding level have occurred when there were across-the-board funding increases. To illustrate, there were annual funding increases to the base budgets of all VAW programs and services from 2004/05 through 2009/10, and annual increases to all agencies' salaries and wages from 2006/07 through 2008/09. As well, in 2008/09, annual funding was increased to ensure that each shelter received at least $30,000 per bed.

Reasonableness of Funding Allocation

At the time of our audit, the Ministry had not done an analysis to determine whether resources were properly allocated across the province to meet demand. Ideally, this analysis should be based on the number of women who could not be served by any VAW agency during the year, by region, but as previously indicated, the Ministry's figures are overstated in this area. Therefore, in order to assess whether resources are being distributed equitably, we compared the distribution of total VAW funding and shelter beds across the province with the distribution of females. Our analysis indicated that the Central West region (which includes Peel, Dufferin, Wellington, Waterloo and Halton) had about an 8% discrepancy between its share of total VAW funding and the percentage of Ontario's female population living there (adjusted to reflect the ages of women in shelters). The Ministry recognizes that the province has growth regions and that it needs to find a way to shift capacity to meet the demand.

We also analyzed various unit costs for the three most significant VAW programs and services in the 2011/12 fiscal year, and noted a wide variation in unit costs among agencies for similar services, as illustrated in Figure 6. We did not note a large variance between rural and urban areas, but we did note that the Eastern region had some of the higher average unit costs, followed by the Northern region. At the time of out audit, the Ministry had not followed up on these variances.

Figure 6: Key Service Costs in VAW Programming, 2011/12

Source of data: Ministry of Community and Social Services

	Provincial Median ($)	Variation Among Agencies ($)
Shelter Costs		
Costs per person	4,400	1,500–17,500
Annual cost per available bed	39,500	26,400–63,200
Cost per person per day of residential care	140	90–575
Counselling Services		
Cost per person	630	20–3,500
Cost of hour of service	84	20–520
Transitional Housing Support Program		
Cost per person	730	90–6,800

RECOMMENDATION 6

To ensure that funding provided to transfer-payment agencies is commensurate with the value of services provided to abused women and their children and is properly allocated to meet the demand for these services across the province, the Ministry of Community and Social Services should periodically compare and analyze agency costs for similar services across the province, investigate significant variances that seem unjustified, and ensure that funding is based on the trend in actual service levels provided.

MINISTRY RESPONSE

In the 2012/13 fiscal year, the Ministry made changes to the type of data transfer-payment agencies are required to submit for monitoring purposes. These changes are expected to improve the Ministry's ability to compare costs between agencies providing similar programs. Further changes were made to the financial data reporting requirements for the 2013/14 fiscal year. These changes will allow more accurate information on program cost factors and variances.

The Ministry will develop tools and procedures for Ministry staff to use in conducting analyses of agency costs and variances to ensure that funding is based on trends.

CO-ORDINATION

The Ministry is responsible for co-ordinating regional service delivery through its nine regional offices. The Ministry requires each regional office to conduct strategic service planning. Regional strategic service planning involves bringing together Ministry-funded VAW agencies to discuss service issues, best practices, emerging issues and regional priorities. For the three regions we visited, we found that the degree of regional service planning varied. For example, one of the regional offices involved all agencies in its service-planning activities. Another regional office involved only agencies providing shelter services, and the third regional office involved only agencies from a certain part of the region. As a result of these planning activities, one region developed a strategic plan but told us that due to a lack of funding, it had not taken action to address the needs identified. Another region shifted some annual funding from one agency to another to better meet demand for counselling services.

Additional co-ordination activities are also conducted through the Domestic Violence Community Coordinating Committees, collaboration agreements between VAW service providers and Children's Aid Societies, and referral agreements between the Transitional and Housing Support Program service providers and social housing service providers.

Domestic Violence Community Coordinating Committees

The Ministry provides an average of $30,000 in annual funding to each of the 48 Domestic Violence Community Coordinating Committees in order to strengthen linkages and networks among community agencies for the purposes of improving community response to abused women, increase awareness and prevention, and identify and address gaps in VAW services. The committees are typically led by a volunteer chair and include representatives from various sectors (such as justice and health), as well as from agencies providing VAW services.

Although the Ministry requires these committees to report annually on their activities and on what they accomplished for the funding they received, such reporting was inconsistent. To illustrate, in one of the three regions we visited, none of the committees provided the Ministry with a year-end report that outlined their objectives, deliverables for the year and achievements, as required under their funding contracts. In the other two regions, where committees had provided such a report, the descriptions of what they did were often too general and did not contain quantifiable targets or outcomes. There was no evidence that the Ministry had followed up with these committees.

We met with some committee chairs in the regions we visited and inquired about their activities. Although most said that they meet monthly to identify gaps in service, only one reported that it conducted this activity in its annual report to the Ministry. The most common activity among the committees was promoting public awareness. We were also informed that some committees were securing funding from other organizations to conduct research. For example, one committee examined policies that inadvertently put women who experience violence at increased risk. The resulting report proposed a framework for assessing the determinants of women's safety and provided a map of potential areas of focus for service delivery and policy design. However, the Ministry does not collect or review the research materials generated by the Domestic Violence Community Coordinating Committees, even though doing so could inform decision-making about services and ways to address service gaps and inequities.

The Ministry informed us that the first two-day provincial conference for these committees was held in November 2011 to facilitate information-sharing. Forty-two of the 48 committees attended. Since the conference, representatives from various committees have gotten together as a group and begun attempting to secure funding for the creation of a provincial network to support the VAW sector. A website has also been developed where committees can post information, share best practices and stay connected.

Collaboration with Children's Aid Societies

Shelters for abused women with children may need to involve a Children's Aid Society (CAS) in certain cases, and vice versa. In 2004, the Ministry facilitated the development of local protocols between

CAS and VAW agencies (both shelters and counselling agencies) to identify the situations when the two sectors must involve each other and what actions should be taken by each. At the time of our audit, although there were 46 Children's Aid Societies in Ontario, only 37 collaboration agreements between CAS and VAW agencies were in place in various communities.

Over the years, the Ministry was made aware of problems with the collaboration process by such sources as the 2007 Domestic Violence Death Review Committee report issued by the Office of the Chief Coroner, the 2009 report from the Domestic Violence Advisory Council, and annual reports submitted by each CAS/VAW collaboration agreement committee. As a result, in November 2010 the Ministry held consultations with representatives from both the CAS and the VAW sectors to discuss concerns and develop strategies to improve matters. Some of the concerns identified included the following: other sectors were required to play a role because the needs of women were becoming increasingly complex (for example, mental-health and addiction issues, as well as custody and access issues); links were needed to other children's services, such as those for mental health; expectations and requirements for collaboration were not the same for VAW and CAS organizations; current resources were not adequate to support and nurture effective working relationships between the two sectors; and more training was required to promote a shared understanding of abuse against women. Suggested actions for improvement included replacing the current collaboration agreements with a multi-sectoral protocol or collaborative agreements with representatives from police, Crown attorneys, probation and parole services and the health sector; developing a common risk assessment process and a standardized risk assessment tool to be used by both the CAS and the VAW sectors; providing resources for ongoing cross- or multi-sectoral training on the application or implementation of any collaboration agreements; and promoting inter-ministerial collaboration and providing inter-ministerial leadership.

In response, the Ministry updated the year-end reporting template to be completed by the co-chairs of the CAS/VAW collaboration agreement committees as part of their annual reporting process to the Ministry and, in conjunction with the Ministry of Children and Youth Services, provided one-time total funding of $200,000 in 2012/13 to support cross-sectoral initiatives that respond to the needs of local communities. With respect to the additional funding, we noted that the Ministry required committees to submit proposals that aim to "improve collaboration between their sectors, as well as service delivery for women who experience violence and their children." In 2012/13, the Ministry also prepared a summary of the achievements and challenges reported by the collaboration agreement committees in their 2010/11 and 2011/12 annual reports. However, according to the summary, many of the concerns identified during the 2010 consultations remain, such as a lack of understanding of each party's roles and responsibilities, and in turn the need for training to promote a shared understanding of abused women and the agreement.

Transitional and Housing Support Program Referral Agreements

Finding safe and secure housing is important for women who have left situations involving domestic violence because it allows them to lead independent lives. All 127 Transitional and Housing Support Program (THSP) providers are expected to have agreements with the 47 local Social Housing Coordinated Access Centres to help abused women find social housing. These centres, which are operated by local regional or municipal governments and funded by the Ministry of Municipal Affairs and Housing, provide a single point of entry into the local social housing market. At the time of our audit, 34 THSP referral agreements were in place. Therefore, not all communities were covered by these arrangements.

Victims of domestic violence, whether they are still living with the abuser or in temporary lodging such as a VAW shelter, are given priority access to social housing provided they meet specified criteria and submit a written declaration from a community professional (for example, a shelter worker, social worker or health-care worker) who confirms their eligibility for priority status. Eligible applicants are placed at the top of the social housing waiting list.

The Ministry of Community and Social Services does not track the number of women who are referred to rent-geared-to-income housing units designated for victims of domestic violence. Therefore, it is not aware of how long women in the THSP typically wait to receive social housing. Based on an annual survey administered by the Ministry of Municipal Affairs and Housing, in 2011, of the 230,000 people who were waiting for rent-geared-to-income housing in Ontario, 10,000 (or 4%) had priority status. During that year, 46% of those with priority status were housed, compared to 8% of those without priority status. According to the Ministry of Municipal Affairs and Housing, the average waiting time for social housing for people with priority status was six months. The Ministry did not have information on waiting times for other groups, but a survey conducted by the Ontario Non-Profit Housing Association that same year found that those housed in 2011—excluding those in Toronto, which did not report—waited an average of two to four years, depending on the community. Overall, although the priority applicants made up 4% of the waiting list, they accounted for almost 24% of the people who obtained housing. Therefore, the priority policy was working in getting many abused women and their children into housing more quickly.

As is done with CAS/VAW collaboration agreements, a committee is set up to manage each THSP referral agreement, and each committee is required to report annually to the Ministry on its referral activities, describing what worked well and what did not, and providing resolution strategies. We saw no evidence that the Ministry had analyzed the information submitted to identify best practices or issues to be dealt with systemically.

RECOMMENDATION 7

To help improve the co-ordination of service delivery for abused women and their children, the Ministry of Community and Social Services (Ministry) should:

- ensure that regional offices undertake effective strategic service planning with agencies and that the results support the Ministry's overall goals and priorities; and
- use the annual reports of the Domestic Violence Community Coordinating Committees, and the committees set up to manage the collaboration agreements between Children's Aid Societies and VAW agencies, as well as the Transitional and Housing Support Program referral agreements to:
    - summarize the useful information;
    - share the opportunities for service improvements and useful research identified; and
    - take corrective action on common issues identified.

MINISTRY RESPONSE

The Ministry agrees that it needs to ensure that planning activities between regional offices and VAW agencies are effective, in order to maintain the stability and sustainability of the existing system of VAW services and establish priorities for future system development. The Ministry will develop a strategic plan that will identify priorities for improving regional planning activities and will enhance service system co-ordination across the VAW sector.

In addition, the Ministry will summarize information from the annual reports submitted by the Domestic Violence Community Coordinating Committees and the Children's Aid Societies/VAW Committees, share useful information accordingly and take corrective action where necessary. The Ministry will assess the need for continuing the Transitional and Housing Support Program referral agreement reporting.

PERFORMANCE REPORTING AND OVERALL EFFECTIVENESS

The Ministry has set performance measures for all but one of its objectives for the VAW programs and services. However, the Ministry has not established targets or benchmarks for many of these measures, and does not routinely report results related to them. Instead, the Ministry reports activity, such as the number of women and children served, the number of shelters and the number of calls to the crisis lines. Figure 7 summarizes the objectives, performance measures and targets for VAW programs and services, along with the results achieved in the 2011/12 fiscal year (the latest year for which information was available at the time of our audit).

The program's effectiveness cannot be assessed by these measures alone, since three of the five performance measures rely on results from the client satisfaction survey. As we noted earlier, these results may not be representative of the perceptions of those who access VAW services or the agencies providing VAW services because of the low response rate and the fact that few or no surveys were completed for 60% of agencies.

The Ministry may find other information useful to help determine how its services are being used and whether they are being effective over time and in comparison to other jurisdictions. For approximately 20 years, under the federal government's Family Violence Initiative, in consultation with provincial and territorial governments, Statistics Canada has been surveying all residential facilities that provide services to abused women and their children across Canada and collecting information both on the services provided and on the clientele. This survey, currently called the Transition Home Survey, is conducted every other year. A number of the questions, as well as the answers from the Ontario survey respondents, would provide useful information to the Ministry. For example:

- The reasons for seeking shelter that women reported to the agencies could help the Ministry determine whether emergency shelters are being used for abused women and their children. The survey indicated that more than 20% of women who sought shelter on April 15, 2010, did so for reasons other than abuse.
- Services that were felt to be needed but not currently offered, or not offered at the level required to meet the needs of residents, as well as any issues or challenges facing the shelter or residents, could help the Ministry identify service gaps. The survey highlighted the following service needs: addiction and mental health counselling, transitional support for housing and employment, and programming for children. The challenges facing women most frequently reported by the facilities included access to affordable long-term housing, lack of services for mental health and addiction issues, poverty, and access to legal services. Besides the need for more funding, one of the most frequently mentioned challenges facing shelters was the need for more staff training to deal with the increasingly complex needs of residents.
- The number of women turned away from the shelter and the reasons for turning them away could help the Ministry assess its ability to meet needs. The survey indicated that two-thirds of the women seeking shelter on April 15, 2010, were turned away because the shelter was full.
- The number of repeat users could help the Ministry assess the program's ability to empower women to live free of violence. The survey indicated that about 20% of women residing in shelters on April 15, 2010, had been at the same shelter before.

The Ministry has access to the public reports produced by Statistics Canada; but little can be concluded from those reports, because only selected information is presented and because that information may or may not have been included in previous reports. The Ministry would be well served to request the results of all questions by type of facility and by province to best identify where improvements are needed in Ontario and how it compares to other jurisdictions.

Figure 7: Objectives, Performance Measures, Targets and 2011/12 Results for VAW Programs and Services

Source of data: Ministry of Community and Social Services and Office of the Auditor General of Ontario

Objectives	Performance Measures	Targets	2011/12 Results
Increase the safety of women who are experiencing violence and their children by providing safe shelter, safety plan development and crisis counselling	• % of women who feel safer	96	87[a]
	• % of women with a safety plan	100	83[b]
	• % of women who sought help and received service	None	81[b]
Assist women experiencing violence and their children by enhancing self-esteem and supporting them to access resources to live independent of domestic violence	• % of women who feel more confident	None	87[a]
	• % of women who gained hope that they could have a better life	None	90[a]
Enhance the co-ordination of VAW services at the community level	None	None	N/A

[a] Source: accumulated results from the 2011 client satisfaction survey.

[b] Source: calculated by the Office of the Auditor General using 2011/12 service-level data reporting by agencies.

RECOMMENDATION 8

To assess how effective the Ministry of Community and Social Services (Ministry) has been in achieving its objectives for Violence Against Women programs and services (see Figure 7), the Ministry should:

- establish performance measures for its objective of enhancing the co-ordination of services, as well as targets for all established performance measures, and regularly report results related to those measures; and
- liaise with Statistics Canada to obtain responses to the biennial Transition Home Survey, by province, and compare pertinent results for Ontario to past performance and to results in other jurisdictions.

MINISTRY RESPONSE

The Ministry is refining the type of data that transfer-payment agencies are required to report to the Ministry on a quarterly basis so that it is more consistent, meaningful and reliable. It will therefore enable the Ministry to measure the performance of programs and services, and will support the program planning needs of the Ministry and VAW-funded agencies. The Ministry will reassess the performance measures established for the VAW program and the appropriateness of reporting results.

The Ministry plans to obtain more detailed data from the Transition Home Survey and other relevant sources to enhance its understanding of violence against women and its assessment of its programs and services, so that it will know how better to meet the diverse needs of women.

Chapter 4

Follow-up to 2011 Value-for-money Audits and Reviews

It is our practice to make specific recommendations in our value-for-money audit reports and ask ministries, agencies of the Crown and organizations in the broader public sector to provide a written response to each recommendation, which we include when we publish these audit reports in Chapter 3 of our Annual Report. Two years after we publish the recommendations and related responses, we follow up on the status of actions taken by management with respect to our recommendations.

Chapter 4 provides some background on the value-for-money audits reported on in Chapter 3 of our *2011 Annual Report* and describes the status of action that has been taken to address our recommendations since that time as reported by management.

Where hearings on our audits are held and reports issued by the Standing Committee on Public Accounts (Committee), we include a summary of the Committee's recommendations in the applicable section of this chapter. Our objective in providing this additional reporting is to help ensure that action is being taken by audited entities to address the issues that the Committee raised during the hearing and in any subsequent report to the Legislature. Due to the extensive hearings held by the Committee on our special report on *Ornge Air Ambulance and Related Services* in both 2012 and 2013, the Committee did not hold any hearings on our 2011 value-for-money audits. Chapter 6 describes the Committee's activities more fully.

We are able to report that for 86% of the recommendations we made in 2011, progress is being made toward implementing our recommendations, with substantial progress reported for about 43% of them.

Our follow-up work consists primarily of inquiries and discussions with management and review of selected supporting documentation. In a few cases, the organization's internal auditors also assisted with this work. This is not an audit, and accordingly, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The corrective actions taken or planned will be more fully examined and reported on in future audits and may impact our assessment of when future audits should be considered.

Chapter 4

Section

4.01

Financial Services Commission of Ontario

Auto Insurance Regulatory Oversight

Follow-up to VFM Section 3.01, *2011 Annual Report*

Background

The Financial Services Commission of Ontario (FSCO), an arm's-length regulatory agency of the Ministry of Finance, is responsible for, among other things, regulating the province's insurance sector. FSCO's auto insurance activities include ruling on applications by private-sector insurance companies for changes in the premium rates that vehicle owners pay. FSCO must ensure that proposed premiums are justified based on such factors as an insurance company's past and anticipated claim costs, expenses and what would be a reasonable expected profit. FSCO also periodically reviews the statutory accident benefits available to people injured in auto accidents, and it provides dispute resolution services to settle disagreements between insurers and injured people about entitlement to statutory accident benefits.

In our *2011 Annual Report*, we noted that the government must balance the need for a financially stable auto insurance sector with ensuring that consumers pay affordable and reasonable premiums and receive fair and timely benefits and compensation after an accident. Claims payments are the largest driver of the cost of auto insurance premiums and, in 2010/11, with the average cost of injury claims in Ontario being about $56,000 and five times more than the average injury claim in other provinces, Ontario drivers generally paid much higher premiums than other Canadian drivers did. However, claims costs in Ontario were also high because Ontario's coverage provided for one of the most comprehensive and highest benefit levels in Canada.

We noted in 2011 that the government had begun taking action to address the high cost of claims in Ontario. However, we made the following observations that outlined some of the challenges FSCO faced if it was to be more successful in proactively fulfilling its role of protecting the public interest:

- From 2005 to 2010, the total cost of injury claims under the Statutory Accident Benefits Schedule (SABS) rose 150% even though the number of injury claims in the same period increased by only 30%. Benefit payments rose the most in the Greater Toronto Area, where drivers also generally paid much higher premiums.
- FSCO had not routinely obtained assurances from insurance companies that they have paid the proper amounts for claims or that they have handled claims judiciously. Without such assurances, there was a risk that consumers

would not be treated fairly or that unnecessarily high payouts could help insurers obtain FSCO approval for higher premium increases.

- Industry estimates pegged the value of auto insurance fraud in Ontario at between 10% and 15% of the value of 2010 premiums, or as much as $1.3 billion. Ontario did not have significant measures in place to combat fraud, and the government and FSCO were awaiting the recommendations of a government-appointed anti-fraud task force expected in fall 2012.
- In approving premium rates for individual insurance companies, FSCO allowed insurers a reasonable rate of return on equity—set at 12% in 1996, based on a 1988 benchmark long-term bond rate of 10%. However, that benchmark had not been adjusted downward, even though the long-term bond rate had been about 3% at the time. Furthermore, FSCO needed to improve its documentation to demonstrate that it treats all insurers' premium-rate-change requests consistently and that its approvals are just and reasonable.
- FSCO's mediation service was backlogged to the point that resolution of disputes between claimants and insurers was taking 10 to 12 months, rather than the legislated 60 days.
- The Motor Vehicle Accident Claims Fund, administered by FSCO to compensate people injured in auto accidents when there is no insurer to cover the claim, had $109 million less in assets as of March 31, 2011, than it needed to satisfy the estimated lifetime costs of all claims currently in the system. This unfunded liability was expected to triple by the 2021/22 fiscal year unless, for instance, the $15 fee currently added to every driver's licence renewal is doubled.

We made a number of recommendations for improvement and received commitments from FSCO that it would take action to address our concerns.

Status of Actions Taken on Recommendations

FSCO has made progress in addressing most of our recommendations, with significant progress made on several. FSCO was in various stages of implementing changes to help address our recommendations covering the high cost of auto insurance claims and premiums, auto insurance fraud, the process for reviewing insurers' rates filings and their approvals, a backlog in its dispute resolution services, and oversight of how well insurers complied with requirements regarding the processing of claims and ensuring approved rates are used. Although average injury claim costs had declined significantly since 2010, at the time of our follow-up average automobile insurance premiums had not. In addition, discussions held to date had not resulted in any increase to the amount recovered from auto insurers for health-system costs incurred to care for people injured in motor-vehicle accidents.

The status of the actions taken is summarized following each recommendation.

STATUTORY ACCIDENT BENEFITS CLAIMS COSTS

Recommendation 1

In order to ensure that the Financial Services Commission of Ontario (FSCO) can effectively monitor Ontario's auto insurance industry, particularly claims costs and premiums, and recommend timely corrective action to the Minister of Finance when warranted, FSCO should:

- *implement regular interim reviews of the Statutory Accident Benefits Schedule to monitor trends such as unexpected escalating claims costs and premiums between the legislated five-year reviews, in order to take appropriate action earlier, if warranted;*
- *monitor ongoing compliance with the interim Minor Injury Guideline, expedite the work to*

develop evidence-based treatment protocols for minor injuries, and identify and address any lack of clarity in its definitions of injuries;
- *implement its plans as soon as possible to obtain assurance that insurance companies are judiciously administering accident claims in a fair and timely manner; and*
- *examine cost-containment strategies and benefit levels in other provinces to determine which could be applied in Ontario to control this province's relatively high claims costs and premiums.*

Status

Under the *Insurance Act* (Act), the Superintendent of Financial Services (Superintendent) is required to conduct a comprehensive review of the effectiveness and administration of auto insurance at least every five years and make recommendations for improvement to the Minister of Finance. In 2008, FSCO undertook the first statutory five-year review, which led to a report to the Minister of Finance and to legislative changes in September 2010 to the Statutory Accident Benefits Schedule (SABS), a regulation under the Act. In addition to the five-year review, FSCO is required to conduct a legislated review every three years of the risk-classification and rate-determination regulations. As well, FSCO participates in a review of the adequacy of the SABS every two years.

On August 16, 2013, the government proclaimed legislative changes to consolidate multiple auto insurance reviews, including the former five-year review of auto insurance, the three-year review of risk-classification regulations and the two-year review of the SABS. The new consolidated review of the auto insurance system will be initiated at least once every three years, beginning in 2013.

As part of the two-year SABS review, FSCO provided in December 2012 to the Minister of Finance a report that analyzed the impact of the 2010 reforms and the adequacy of accident benefits, including showing that 2011 accident benefits claims costs had decreased following the reforms.

As part of the 2010 auto insurance reforms, FSCO introduced an interim Minor Injury Guideline to provide a broader definition of minor injuries, as well as a $3,500 minor-injuries benefit limit on the cost of all treatment services and assessments combined. As of November 2012, FSCO changed the form used by health-care providers so that it now requires additional information about whether the treatment is covered by the Guideline.

In July 2012, FSCO retained the consulting services of medical and scientific experts who have been working to develop an evidence-based treatment protocol for the most common injuries from motor-vehicle accidents. The treatment protocol, if approved by government, could be incorporated into a Superintendent's Guideline and used by insurers and health-care providers when treating minor injuries resulting from automobile accidents. The protocol will help to reduce disputes in the auto insurance system and ensure motor-vehicle-accident victims receive effective, scientifically proven treatment. This is a two-year project. The consultants provide regular updates to the Superintendent and, as directed in the 2013 Budget, FSCO will provide an interim report this year on the progress of the project. We were informed that the interim Minor Injury Guideline will be assessed upon completion of the consultants' report and will be addressed as part of a future comprehensive statutory review.

In summer 2011, FSCO introduced a new annual requirement that each insurance company provide it with a statement from its chief executive officer attesting that it had controls, procedures and processes in place to ensure compliance with legislative requirements for the payment and handling of claims. In 2012, on a risk basis, FSCO conducted on-site examinations of 14 auto insurance companies representing 46% of the market share and issued a summary report to the industry outlining the results of this process and identifying areas for improvement. FSCO expected to have visited 16 more companies by August 2013. In 2012, FSCO also introduced a requirement for Ontario automobile insurers to periodically complete a SABS control questionnaire covering claims handling, including new questions about treatments covered by the interim Minor Injury Guideline. FSCO expected that all insurers would be examined within a four-year cycle to verify the responses and examine insurers' practices.

In addition, new regulations came into force on January 1, 2013, that provided FSCO with the power to impose administrative fines on insurers for not complying with legislative and approval requirements.

As part of its ongoing policy-development work, FSCO gathered information through the Canadian Council of Insurance Regulators on benefit levels and coverage available in other provinces in an effort to identify cost containment strategies that could be applied to Ontario. A draft summary and analysis was prepared in March 2013, and we were advised that an updated version would be used for the 2013 review.

As a result of changes to the SABS in September 2010, the auto insurance industry reports that Ontario's average injury claim cost has decreased more than 50%, from about $56,000 in 2010 to $27,000 in 2012. The difference between Ontario's average injury claim costs and those paid by other provinces has narrowed, although Ontario's costs now stand at approximately three times higher than those of other provinces. However, lower accident benefit claim costs have not yet resulted in corresponding lower average premiums paid in Ontario, where the average premium was $1,551 in 2012, or 8% higher than in 2010, and still the highest in the country.

In August 2013, the government introduced a number of initiatives as part of a strategy to reduce average auto insurance rates by a target of 15%. Since the passing of legislation in August 2013 that gave FSCO the authority to order insurance companies to file rates, FSCO has required certain insurers to submit detailed actuarial filings so it can review claims costs and rates to ensure they are reasonable.

FRAUD IN AUTO INSURANCE

Recommendation 2

To reduce the number of fraudulent claims in Ontario's auto insurance industry and thereby protect the public from unduly high insurance premiums, the Financial Services Commission of Ontario (FSCO) should use its regulatory and oversight powers to:

- *help identify potential measures to combat fraud, including those recommended by the Insurance Bureau of Canada and those in effect in other jurisdictions, assess their applicability and relevance to Ontario, and, when appropriate, provide advice and assistance to the government for their timely implementation; and*
- *ensure development as soon as possible of an overall anti-fraud strategy that spells out the roles and responsibilities of all stakeholders—the government, FSCO, and insurance companies—in combatting auto insurance fraud.*

Status

In 2011, the government appointed the Ontario Auto Insurance Anti-Fraud Task Force (AFTF) to determine the scope and nature of automobile insurance fraud and make recommendations about ways to reduce it. As part of the AFTF, the Ministry of Finance retained consultants to provide research about how other jurisdictions combat fraud, analysis of the potential range of fraud in Ontario's auto insurance system and advice on the regulation of health-care facilities. FSCO actively supported the AFTF, including chairing its Regulatory Practices Working Group and preparing a status report in June 2012.

In its November 2012 final report, the AFTF said auto insurance fraud was substantial and had a material impact on auto insurance premiums. Estimates of the total amount of fraud ranged from $768 million to $1.56 billion in 2010, which amounts to between $116 and $236 per average premium paid in Ontario in that year. The AFTF made 38 recommendations that form an integrated anti-fraud strategy focused on prevention, detection, investigation and enforcement, along with enhanced and clearer regulatory roles and responsibilities.

FSCO and the Ministry of Finance established a joint working group to consider the AFTF recommendations, and action had already been taken to implement several of them. In January 2013, the government announced regulation changes to enhance accountability in the auto insurance sector, and FSCO issued an accompanying bulletin to support these changes. New regulations came into force on June 1, 2013, which, among other things:

- require insurers to provide claimants with all the reasons for which a medical or rehabilitation claim was denied;
- require insurers to itemize expenses in a bi-monthly statement to claimants of medical-rehabilitation benefits paid out on a claimant's behalf;
- increase the role of claimants in preventing fraud by requiring them to confirm their receipt of treatment, goods or other services; and
- make third-party service providers subject to sanctions for overcharging insurers for goods and services, and prohibiting them from asking consumers to sign blank claim forms.

Ontario's 2013 budget proposed to expand and modernize the Superintendent's investigation and enforcement authority (particularly in the area of fraud prevention) and give FSCO authority to license and oversee business practices of health clinics and practitioners who invoice auto insurers. These changes to the Act were proclaimed in August 2013.

In January 2013, FSCO launched a project to internally review closed mediation files to help identify systemic issues that may, in turn, identify patterns of fraudulent behaviour in the mediation system. FSCO told us it was also working with stakeholders to develop a consumer engagement and education strategy, and it launched an anti-fraud hotline in June 2013.

In February 2011, to help streamline the claims-handling process, FSCO made usage of the industry-created Health Claims for Auto Insurance (HCAI) system mandatory. HCAI is an online database and billing portal to which health-care providers are required to submit billings for injury claims before they are forwarded to insurers for payment. In addition to its role of transferring electronic documents, HCAI is also a source of valuable data with the potential to identify fraudulent patterns among both providers and claimants. The HCAI Anti-Fraud working group piloted three initiatives to develop electronic tools to assist health-care service providers and insurers to identify fraudulent activity in the system.

RATES FILINGS AND APPROVALS

Recommendation 3

To ensure that the Financial Services Commission of Ontario (FSCO) fairly and consistently authorizes auto insurance company premium rate changes while protecting consumers, FSCO should:

- *update and document its policies and procedures for making rate decisions—particularly for applications that differ from its own assessments—and for properly assessing rate changes in light of actual financial solvency concerns of insurance companies;*
- *review what constitutes a reasonable profit margin for insurance companies when approving rate changes, and periodically revise its current assessment to reflect significant changes; and*
- *establish processes for verifying or obtaining assurance that insurers actually charge only the authorized rates.*

Status

FSCO updated its policies and procedures for processing and approving rate applications effective May 2012 and told us it had provided staff training on these new procedures. Rate decisions were based on a defined range that was acceptable when a proposed rate differed from the FSCO actuarial service's assessments. Staff were required to prepare an internal briefing note when a difference greater than the acceptable range was considered justified. The briefing note was to be reviewed with the Superintendent and the information in it documented in the Rates and Classification Report before the filing could be approved.

In October 2012, FSCO retained a consultant to review the reasonable profit margin rate that had been established for auto insurance rate filings, including a financial assessment and consultation with the auto insurance industry. In the final report, the consultant recommended that FSCO should consider moving to either a five-year or 10-year rolling average for a return-on-equity benchmark rate. In August 2013, FSCO decided that an eight-year rolling average for a return-on-equity benchmark rate would be used going forward. According to FSCO, the new methodology generated an 11% return-on-equity benchmark for 2013. In addition, FSCO adopted another benchmark that assesses the insurer's premium-to-equity ratio that is consistent with federal solvency and capital requirements. FSCO also has begun a review of the feasibility of moving to a return-on-premium approach, which it expects may be relatively more simple and transparent than the return-on-equity benchmark.

Since 2012, FSCO has required that the chief executive officer of an auto insurance company annually attest in writing that it provided auto insurance in Ontario in accordance with approved rates, risk classification systems and underwriting rules. The Act prescribes the many rules of conduct with which these companies must comply in doing their automobile insurance business in Ontario, including having their rates filed with and approved by FSCO.

FSCO implemented a new annual requirement for insurance companies to attest that they had independent audit processes in place to confirm that approved rates were charged by the insurer. These attestations from insurers were due by October 15, 2013. In addition, in spring 2013 FSCO began sending out detailed rate verification questionnaires to auto insurers—some randomly selected and some targeted—covering governance processes and controls that insurers had put into place to ensure they complied with legislative requirements and FSCO-approved rates. FSCO conducted on-site examinations of insurers during 2012 and 2013, including verification of the degree to which it could rely on the information provided in a company's written confirmation and completed questionnaire, as applicable, and to confirm that identified controls were in place and operating effectively. All insurers were to undergo this scrutiny at least every four years.

DISPUTE RESOLUTION SERVICES

Recommendation 4

To ensure that the Financial Services Commission of Ontario meets its mandate to provide fair, timely, accessible, and cost-effective processes for resolving disputes over statutory accident benefits, it should:

- *improve its information-gathering to help explain why almost half of all injury claimants seek mediation, as well as how disputes are resolved, and to identify possible systemic problems with its SABS benefits policies that can be changed or clarified to help prevent disputes; and*
- *establish an action plan and timetable for reducing its current and growing backlog to a point where it can provide mediation services in a timely manner in accordance with legislation and established service standards.*

Status

The government announced in its 2012 and 2013 Budgets that a review of the auto insurance dispute resolution system would take place. At the time of our follow-up, FSCO was completing an internal examination on closed mediation cases and the corresponding insurers' claims files to gather information on the reasons for the high number of claimants who were seeking mediation and how these disputes were resolved. The results of the examination were to be used for the review and for stakeholder consultations to help identify any systemic issues that were creating disputes with the current SABS legislation and policy. In August 2013, the government announced the appointment of an expert to undertake the review and make recommendations on transforming the current system. An interim report was due in fall 2013 and a final report by the end of February 2014.

To address FSCO's growing backlog of cases involving disputes between insurers and claimants on the payment of statutory accident benefits, Treasury Board approved in December 2011 FSCO's request for an additional $38.2 million over three years to hire a private dispute-resolution service provider to supplement FSCO's own staff. According to FSCO, backlogged mediation cases were being assigned to the service provider at the rate of 2,000 files per month. New applications received on or after November 29, 2012, were being assigned to FSCO mediators within a couple of days. On March 31, 2012, there were about 29,000 cases awaiting assignment. With this contract help, and with new software that has made mediation scheduling more efficient, all mediation files had been assigned as of August 19, 2013, and the backlog had been eliminated.

In addition, FSCO had experienced a decrease in the number of applications for mediation received each month. In 2012/13, FSCO received approximately 25,300 new applications for mediation, a 29% decrease from the 35,700 applications received in 2011/12. FSCO indicated that this decrease was likely due to the September 2010 legislative changes to the SABS that helped reduce the number of disputes, as well as the auto insurance industry's increased focus on fraud. FSCO informed us that with the decreased volume and the reduced backlog, mediators could handle new cases within the prescribed 60-day time limit.

PERFORMANCE MEASURES

Recommendation 5

In order to provide the public, consumers, stakeholders, and insurers with meaningful information on its auto insurance oversight and regulatory activities, the Financial Services Commission of Ontario should report timely information on its performance, including outcome-based measures and targets that more appropriately represent its key regulatory activities and results.

Status

During the 2012/13 fiscal year, FSCO finalized its corporate Performance Management Framework that details for each of its divisions, including auto insurance, a set of performance measures and targets that link to its long-term goals and strategic priorities. For example, FSCO's auto insurance performance measures include targets for industry compliance with SABS benefits and approved automobile insurance premium rates. We were advised that the system has been modified to track the data needed for reporting on the performance measures, and that FSCO would report on the measures for the 2013/14 fiscal year in its annual report. The Performance Management Framework was posted on FSCO's website.

In addition, in June 2012, FSCO posted on its website new standards for its turnaround time for approving insurers' filings for private passenger auto insurance rates and risk classification changes. The performance results for 2012/13 were posted on the FSCO website in June 2013.

As of July 2013, FSCO continued to experience delays in releasing its annual report to the public, and the latest annual report available to the public was for the 2009/10 fiscal year. FSCO advised us that the 2010/11 and 2011/12 annual reports were submitted to the Minister of Finance, tabled in the Legislature by the Minister on October 3, 2013, and published on FSCO's website that same month. It also noted that it had made changes to its internal processes and it expected the 2012/13 annual report to be delivered to the Minister by November 29, 2013.

Under its enabling legislation, FSCO is required to publish by June 30 of each year a Statement of Priorities setting out its proposed priorities and planned initiatives for the coming year, and the reasons for adopting these priorities. The Statement of Priorities includes a report-back section listing FSCO's key accomplishments in the previous year. We noted that the statement for 2013 was available on its website and included the key auto insurance reforms FSCO was working on, including efforts to increase oversight of insurers, reduce fraud in the industry, control claims costs and premiums, and resolve statutory accident benefit disputes backlogs.

MOTOR VEHICLE ACCIDENT CLAIMS FUND UNFUNDED LIABILITY

Recommendation 6

To ensure that the Motor Vehicle Accident Claims Fund (Fund) is sustainable over the long term and able to meet its future financial obligations, the Financial Services Commission of Ontario should establish a strategy and timetable for eliminating the Fund's growing unfunded liability over a reasonable time period and seek government approval to implement this plan.

Status

We were advised by FSCO that, while no changes had been made to address the unfunded liability of the Fund, FSCO continues to formally monitor the status of the Fund, and ongoing Ontario automobile insurance reforms have had a positive impact on the Fund's unfunded liability. The Fund's actuarial report shows that the unfunded liability was about $99 million as of March 31, 2013, or about $10 million less than at March 31, 2011. FSCO's consulting actuary recently estimated that the Fund will have sufficient funds to meet its financial obligations through to the 2020/21 fiscal year. The updated cash-flow analysis was completed in fall 2013, following a recent legal decision that will affect the collectability of accounts receivable owed by bankrupt debtors. FSCO noted that any changes to funding would require amendments to regulations and to the existing Motor Vehicle Accident Claims Fund fee on issue or renewal of an Ontario driver's licence, which are the responsibilities of the Ministry of Finance and the Ministry of Transportation.

OTHER MATTER

Assessment of Health-system Costs

Recommendation 7

In view of the fact that it has been five years since the last review of the assessment of health-system costs owed by the auto insurance sector despite the significant increase in health-care costs related to automobile accidents over the same period, the Financial Services Commission of Ontario should work with the Ministry of Finance, the Ministry of Health and Long-Term Care, and the insurance industry to review the adequacy of the current assessment amount.

Status

The *Insurance Act* requires all automobile insurers operating in Ontario to pay an annual "assessment of health-system costs" to recover the costs to the province of providing medical care to people injured in motor-vehicle accidents. FSCO is responsible for collecting the assessment from insurers, with each insurer paying a pro-rated share of the total. The assessment has not been changed since 2006, when it was set at $142 million, even though, as we reported in 2011, overall health-care spending and medically related SABS benefits costs substantially increased since 2006.

We were advised that the Ministry of Finance is undertaking to review the current assessment amount, as noted in the Minister's August 24, 2013, policy statement.

Chapter 4

Section

4.02

Ontario Energy Board

Electricity Sector—Regulatory Oversight

Follow-up to VFM Section 3.02, *2011 Annual Report*

Background

The Ontario Energy Board (Board) is charged with overseeing the electricity sector, which provides an essential commodity while operating as a near-monopoly. The Board is responsible for protecting the interests of Ontario's 4.7 million electricity customers, and for helping to see that the sector is run efficiently and cost-effectively, and that it remains sustainable and financially viable.

At the time of our follow-up, in May 2013, the Board had about 170 staff and its operating costs for the 2012/13 fiscal year were around $36 million ($35 million in 2010/11), all of which are paid by the entities that it regulates. The Board sets prices for electricity and its delivery, monitors electricity markets, and approves the administrative costs of the Ontario Power Authority and the Independent Electricity System Operator.

At the time of our 2011 audit, electricity prices for the average Ontario consumer had risen about 65% since the restructuring of the electricity sector in 1999, and prices were projected to rise another 46% by 2015. In light of this, the Board's role of protecting consumers while setting rates that would provide a reasonable rate of return for the industry was all the more important.

However, a number of factors limited the Board's ability to perform these duties to the extent that consumers and the electricity sector might have expected.

In our *2011 Annual Report*, some of our more significant observations were as follows:

- The criterion that electricity bills be just and reasonable applies only to areas over which the Board has jurisdiction—only about half of the total charges on a typical bill. The Board can set rates only for the nuclear power and some of the hydro power produced by Ontario Power Generation (OPG), along with transmission, distribution and certain other charges. The other half of a typical bill is based on government policy decisions over which the Board has no say, and these costs are not subject to Board oversight. This includes the 50% of the electricity sold to residential customers that comes from other electricity suppliers and that, in total, constitutes 65% of the cost of the electricity component of the typical bill.
- Consumers can purchase electricity through their utility at the Regulated Price Plan prices set by the Board or through an electricity retailer that sets its own price. As of May 2013, about 7% of residential customers had signed fixed-price contracts with electricity retailers. These consumers could be paying 35% to 65%

more for their electricity than they would pay had they not signed those contracts. In the last five years, the Board has received 16,200 complaints from the public, the overwhelming majority of them about electricity retailers. Issues included misrepresentation by sales agents and forgery of signatures on contracts. Although the Board follows up on complaints, it has taken only a limited number of enforcement actions against retailers.

- In areas in which it has jurisdiction, the Board sets rates using a quasi-judicial process that requires utilities and other regulated entities, such as OPG and Hydro One, to justify any proposed rate changes at a public hearing. Many small and mid-sized utilities say the cost of this process—$100,000 to $250,000 per application—can be as much as half the revenue increase sought in the first place. These costs, generally incurred every four years, are recovered from consumers.
- Individuals or organizations wishing to participate in the hearings on behalf of consumers can obtain intervenor status, and can qualify for reimbursement of their expenses. However, many of the utilities and other regulated entities that have to reimburse the intervenors say the number of requests that they receive can be onerous, the cost of providing detailed information to the intervenors is high, and they want the Board to better manage this process.

We made a number of recommendations for improvement and received commitments from the Board that it would take action to address our concerns.

Status of Action Taken on Recommendations

Substantial progress has been made on implementing almost all of the recommendations we made in our *2011 Annual Report*. For example, the Board completed an internal review of its current processes as we had recommended, examining things such as rate-setting, reporting, and communications with ratepayers and industry participants. Information available on its website has been improved as a result. The Board also has engaged consultants to assist in its process review. This review has yielded a number of additional recommendations (to, for example, establish a standard process for rate applications with the necessary controls to minimize the instances of deviations and exceptions), and the Board has developed action plans to address these. Some changes have already been implemented and more are planned throughout the 2013/14 fiscal year.

The status of the actions that the Board had taken at the time of our follow-up is summarized after each recommendation.

CHARGES SUBJECT TO REGULATORY OVERSIGHT

Recommendation 1

To enhance the cost-effectiveness of its rate-setting process, the Ontario Energy Board should:

- *work with the regulated entities to address their concerns about the cost and complexity of the current rate-setting filing requirements and the impact on their operations; and*
- *better co-ordinate and evaluate intervenor participation in the rate-setting process in an effort to reduce duplication and time spent on lower-priority issues.*

Status

The Board has taken action to substantially address both parts of this recommendation.

The Board completed a comprehensive review of its rate-application processes with a view to improving their effectiveness and efficiency. The review considered the respective roles of staff, Board members, applicants and intervenors.

During the 2012/13 fiscal year, the Board identified a need for additional improvements to its rate-application process and engaged a consultant to assist with a review. The consultant met with groups of regulated entities, intervenors, Board members and staff to identify the most pressing issues. The consultant's recommendations were delivered in October 2012 and the Board has developed an action plan to address them.

Some initiatives the Board has under way that specifically address the concerns we raised in our *2011 Annual Report* include the following:

- The Board created a checklist to help rate-applicants ensure that electricity cost-of-service applications are complete when they are filed. Having properly completed applications at the time of hearings should reduce the number of interrogatories and other rounds of discovery. The Board was also working on amendments to its filing requirements that would make clearer what must be filed and to eliminate filing requirements that are not material. The revised filing requirements were scheduled to be released in late 2013.
- The Board has been testing a number of different approaches to the discovery process for rate applications to help it determine the most efficient processes to use under different sets of circumstances. For example, it completed a pilot project where Board staff file interrogatories first, then responses are received from the applicants, and then intervenors file interrogatories. It found that this approach is most appropriate when there are significant technical issues on which Board staff would be taking the lead. Another pilot tested having Board staff submit their interrogatories once the applicant has provided a response to intervenors' interrogatories.

CHARGES NOT SUBJECT TO REGULATORY OVERSIGHT

Recommendation 2

To help ensure that the interests of consumers are protected with respect to those charges not subject to Ontario Energy Board (Board) oversight and regulation, the Board should:

- *encourage the Ministry of Energy (Ministry) and the Ontario Power Authority (OPA) to consult with it on a more timely basis with respect to the interests of consumers in all energy-supply and pricing undertakings by the Ministry and the OPA;*
- *work more proactively with the Independent Electricity System Operator (IESO) to address the high-priority recommendations from the Market Surveillance Panel (MSP); and*
- *clearly explain the reason for each charge on consumer power bills, identify the entity receiving the proceeds from each charge, and disclose whether the Board has any oversight role relating to the charge.*

Status

All three aspects of this recommendation have been substantially implemented.

The Board has been meeting with the Ministry on a monthly basis and with the IESO and OPA on a quarterly basis to review issues of common interest, including all energy supply and pricing undertakings of interest to consumers, and to share ideas and perspectives on energy supply and related issues. In addition, the IESO and OPA are included on several Board-sponsored working groups and other forums where their participation has been deemed appropriate.

In 2011, the Board began a correspondence with the IESO regarding the recommendations the MSP made in its report. It requested and received in writing the following information from the IESO:

- steps the IESO intends to take in response to any recommendations made to it in the MSP report;

- estimated timelines for completion of those steps; and
- whether, in the IESO's view, any actions or market rule amendments beyond those noted in the MSP's report should be taken.

The Board has undertaken a similar correspondence with the OPA regarding any MSP recommendations directed at that agency. Board correspondence with the IESO and the OPA regarding MSP reports and recommendations is available on the Board's website.

The Board has also taken steps to better educate consumers about the charges on their electricity bills. Following our recommendation, it has updated the explanation for each line item on the sample electricity bill on its consumer website to include the reason for the charge, the entity receiving the proceeds from the charge, and whether the Board has any oversight role relating to the charge.

CONSUMER PROTECTION

Recommendation 3

To ensure that consumers are protected and that they have the information they need to understand their electricity bills, the Ontario Energy Board should:

- *review its current educational and communication programs and make the appropriate adjustments to meet consumer information needs;*
- *consider initiating limited proactive compliance reviews focusing on high-risk areas;*
- *work with utilities to streamline reporting requirements, including the timing and frequency of reporting; and*
- *determine whether appropriate deterrent actions in those areas that have generated frequent legitimate consumer complaints can be implemented.*

Status

The Board has completed its review and is in the process of implementing appropriate adjustments to its consumer information materials. In 2012, it reviewed its current communications strategy, examining best practices in the areas of regulatory and adjudicative communication, consumer education and engagement, and internal processes for dealing with consumer inquiries and feedback. The Board also engaged a consultant to conduct a review of its communications role as well as its external and internal communications tools and practices. The consultant delivered recommendations in January 2013 and the Board developed an action plan to address them. The Board implemented the first set of recommended changes during the 2012/13 fiscal year, adopting plain language for external communications and a visual storytelling approach to explain complex concepts. The Board expected many of the remaining changes to its communications approach to be implemented during 2013/14, though some changes, such as the redesign of the website, may take longer.

The Board also has made substantial progress in addressing our recommendation that it consider limited proactive compliance reviews focusing on high-risk areas. It engaged a consultant in September 2012 to support the development and implementation of a risk-based approach to compliance intended to increase consumer confidence by ensuring that retailers and marketers are following customer service and consumer protection rules. Under this approach, the Board should, for example, develop key performance indicators to ensure that actions taken to combat non-compliance in areas of high-priority risks are effective. The Board was also developing a compliance plan outlining initiatives for 2013/14 based on the high-priority risks that were identified in the risk assessment. Examples of the initiatives include certificate inspections, in-person sales inspections and review of marketing materials. It expected to complete the compliance plan by the end of 2013.

The Board has substantially implemented our recommendation that it work with utilities to streamline reporting requirements. In 2012 it completed a review of its reporting and record-keeping requirements for electricity distributors, which looked at possible ways to make the process more efficient by reducing the amount of data that distributors are required to file with the Board. The review considered issues such as the timing and frequency of reporting, areas of potential redundancy, and areas needing clarification. In December 2012, the Board implemented a number of amendments to the requirements that resulted from this review that are available on its website.

Released in October 2012, the Renewed Regulatory Framework for Electricity report is to help guide the Board in setting rates for electricity distributors and transmitters, balancing the need for significant investment in the sector with consumer expectations for reliable service at a reasonable price. The Board's review of distributor performance and benchmarking in the context of the Renewed Regulatory Framework for Electricity is still ongoing, and at the time of our follow-up the Board was in the process of developing a scorecard to measure the performance of each distributor in several key areas, which it expected to implement by the end of 2013.

The Board has made substantial progress with respect to our recommendation on deterrence. In 2011, it created a dedicated complaints group within its Compliance & Consumer Protection business unit to analyze complaint data and identify areas or practices that are the subject of frequent complaints. A summary of complaint numbers and key issues is available on the Board's website.

The Board has also been using complaint analysis to identify best practices—for example, in cases where consumers whose requests to cancel their contracts were ignored by suppliers. According to the *Energy Consumer Protection Act* and the Board's code of conduct, the supplier must notify the energy distributor to cancel a consumer's contract within 10 days of receiving the consumer's notice of cancellation. The complaint analysis has also been used to prepare a procedural manual documenting the process analysts are to use to address instances of non-compliance, which the Board expected to complete by the end of 2013.

After the *Energy Consumer Protection Act* came into force in January 2011, the Board completed inspections of all active retailers and marketers in 2011 and 2012 to assess their compliance with applicable consumer protection rules. Where those inspections identified instances of non-compliance, the Board undertook enforcement action, which has resulted in administrative penalties totalling $273,500. Information on enforcement proceedings that the Board has initiated is available on its website.

Performance Measures

Recommendation 4

To improve the reporting of the effectiveness and costs of its regulatory activities, the Ontario Energy Board (the Board) should develop more results-based or outcome-based performance measures that are aligned with its strategic objectives and mandate, and summarize and report all of the costs associated with the Board's regulatory processes.

Status

The Board has made some progress in improving the reporting of the effectiveness and costs of its regulatory activities by developing more outcome-based performance measures. It provided examples of initiatives to identify specific performance outcomes and determine how to best monitor them:

- The Board has included in its business plan a vision statement regarding the outcomes it seeks to achieve in the sector, a clear statement of the strategic objectives for each year of the three-year planning period, and a balanced scorecard. The scorecard is to focus on strategic initiatives and its results are to be determined by an independent auditor and published in the Board's annual report.
- The Board completed a policy evaluation and, at the time of our follow-up, was in the process of developing a systematic framework to monitor and evaluate the effectiveness of its policies.

Costs associated with regulatory processes were being summarized, reported and made publicly available on its website:

- Regulatory costs in respect of intervenors and the Board's incremental costs of proceedings are summarized in the Board's annual reports.
- Aggregate costs for intervenors are published every year. Costs for the 2011/12 fiscal year were posted on the Board's website in July 2012; costs for 2012/13 will be published by the end of 2013.
- Regulatory costs incurred by distributors are included under administration costs reported in the Board's annual yearbooks of electricity distributors.

Chapter 4

Section

4.03

Ministry of Energy

Electricity Sector—Renewable Energy Initiatives

Follow-up to VFM Section 3.03, *2011 Annual Report*

Background

The Ontario government has proposed that the province rely increasingly on renewable energy—especially wind and solar power. One reason for this is to help replace the power lost from the phasing out of coal-fired generation plants, to be completed by 2014. In 2009, the government enacted the *Green Energy and Green Economy Act* (Act)—now called the *Green Energy Act, 2009*— to help attract investments and jobs in renewable energy, promote energy conservation and reduce greenhouse gas emissions.

The Ministry of Energy (Ministry) has developed programs and policies to implement the Act, and the Ontario Power Authority (OPA) has played a key role in planning and procuring renewable energy by contracting to buy power from developers of renewable energy projects. Under the Act, the Minister is provided with the authority to supersede many of the government's usual planning and regulatory oversight processes in order to expedite the development of renewable energy.

Wind and solar power will add significant costs to ratepayers' electricity bills. It was felt that the higher costs associated with renewable energy were an acceptable trade-off given the environmental, health and anticipated job-creation benefits. As well, these energy sources are not as reliable as traditional sources, and they require backup from alternative energy sources, such as gas-fired generation.

In our *2011 Annual Report*, we noted the following:

- Ontario is on track to shut down its more than 7,500 megawatts (MW)—the capacity as of 2003—of coal-fired generation by the end of 2014, to be replaced by nuclear power from refurbished plants, an increase of about 5,000 MW of gas-fired generation, and renewable energy, which is projected to increase to 10,700 MW by 2018.
- Because the Ministry and the OPA aimed to implement the Minister's directions as quickly as possible, no comprehensive evaluation was done on the impact of the billion-dollar commitment to renewable energy on such things as future electricity prices, net job creation or losses across the province, and greenhouse gas emissions.
- When the Act was passed, the Ministry said implementing the Act would lead to modest increases in electricity bills of about 1% annually. This was later increased to 7.9%

annually over the next five years, with 56% of the increase due mainly to the cost of renewable energy.

- The OPA was directed to replace a successful program—the Renewable Energy Standard Offer Program (RESOP)—with a much more costly Feed-in Tariff (FIT) program that required made-in-Ontario components and encouraged both larger and smaller generation projects, but provided renewable energy generators with significantly more attractive contract prices than RESOP.
- Although the OPA made a number of recommendations that could have significantly reduced the costs of FIT, these were held in abeyance until the two-year review of the FIT program could be undertaken so as to ensure price stability and maintain investor confidence.
- A Korean consortium contracted by the Ministry to develop renewable energy projects is to receive two additional incentives if it meets job-creation targets: $110 million in addition to the already attractive FIT prices; and priority access to Ontario's already limited transmission capacity. However, no economic analysis or business case was done to determine whether the agreement with the consortium was cost-effective, and neither the Ontario Energy Board nor the OPA was consulted about the agreement.

We made a number of recommendations in our *2011 Annual Report* for improvement and received commitments from the Ministry and the OPA that they would take action to address our concerns.

Status of Actions Taken on Recommendations

Our review indicated that some progress has been made on all of our recommendations, and substantial progress on several of them. For example, the Ministry and the OPA reviewed and reduced FIT prices for new solar and wind power projects by about 20% and 15% respectively in 2012; FIT prices for new solar projects were further reduced on average by one-third in 2013; the OPA has been working with the Independent Electricity System Operator (IESO) to implement new market rules that require renewable generators to turn down or off when there is an oversupply of power; and Hydro One has been upgrading a number of transmission stations to connect the renewable projects. We noted that additional work is under way to fully address some of our recommendations. For example, the Ministry is planning to launch more online tools and to post more information online to help consumers understand their electricity bills. As well, a review of Ontario's Long-Term Energy Plan is scheduled to be finalized before the end of 2013.

The status of the action taken on each of our recommendations is as follows.

COST IMPACT OF RENEWABLE ENERGY ON CONSUMERS

Recommendation 1

To ensure that electricity ratepayers understand why their electricity bills are rising at a much higher rate than inflation, the Ministry of Energy and the Ontario Power Authority should work together to increase consumer awareness of the concept of the Global Adjustment and make more information available on the cost impact of its major components.

Status

In our *2011 Annual Report*, we noted that the OPA had entered into a number of fixed-price renewable energy contracts that had significantly contributed to higher electricity charges. A number of consumer surveys have indicated that although consumers generally supported renewable energy, they were for the most part unaware of its impact on prices. In its responses to our report, the Ministry acknowledged that it would increase public awareness about energy prices, and the OPA indicated that it would provide comprehensive, consistent information about the total cost of electricity.

At the time of our follow-up, we noted that the Ministry had provided consumers with information about Ontario's energy sector, including electricity costs, on its website. We also found that the Ministry had made changes to its website to make it more user-friendly, such as improving search capabilities, using plain language, increasing accessibility, and providing updated descriptions of Ontario's energy sources and provincial programs. The Ministry has been collaborating with the Ontario Energy Board to launch other online tools that are intended to help consumers understand their electricity bills. As well, the Ministry has used social media tools such as Twitter to educate consumers, and has undertaken market research to further improve consumer awareness of the concept of the Global Adjustment and its impact on electricity costs.

We noted that the OPA has incorporated the latest 2012 data related to electricity costs in a Generation Procurement Cost Disclosure, which was posted on the OPA's website in September 2013 to provide consumers with more context for and explanation of electricity costs. The OPA has also revamped its quarterly supply report to make it more accessible to the average reader. At the same time, the OPA is working with the Ministry and other agencies to communicate to consumers initiatives related to electricity costs.

DEVELOPMENT OF ENERGY PLAN AND RENEWABLE ENERGY POLICY

Recommendation 2

To ensure that senior policy decision-makers are provided with sound information on which to base their decisions on renewable energy policy, the Ministry of Energy and the Ontario Power Authority should work collaboratively to conduct adequate analyses of the various renewable energy implementation alternatives so that decision-makers are able to give due consideration to cost, reliability, and sustainability.

Status

In our *2011 Annual Report*, we noted that the *Green Energy and Green Economy Act, 2009* provided the Minister of Energy with the authority to direct certain aspects of planning and procurement of electricity supply through ministerial "directives" and "directions." The frequent exercise of such authority had resulted in less thorough analysis and assessment of different policy options and the cost-effectiveness of alternative approaches. In their responses to our report, the Ministry and the OPA agreed to work collaboratively to provide decision-makers with the best advice, giving due consideration to cost, reliability and sustainability.

At the time of our follow-up, the Ministry had launched a review of the FIT program on October 31, 2011, following the program's first two years of operation. During the review, the Ministry worked with the OPA, Hydro One and the Independent Electricity System Operator to obtain their input and advice. The Ministry also reviewed international best practices, experience and perspectives. Both the Ministry and the OPA engaged with community groups, municipalities, the energy industry and associations, Aboriginal communities and organizations, environmental groups, consumer advocacy groups and interested individuals. They received over 2,900 responses from individuals and organizations to an online survey and about 200 written submissions. The input and advice were reviewed and considered as part of the review of the FIT program.

As part of its review activities, the OPA commissioned two independent consulting companies to produce technical reports regarding the development of renewable projects in Ontario. These reports supplemented the independent analysis performed by the OPA's internal staff and formed the basis of the OPA's recommendations to the Ministry regarding proposed changes to the FIT program. At the completion of the FIT program review, the Ministry issued a report on March 22, 2012. To address the report's recommendations, the Minister of Energy issued five directives instructing the OPA to continue with the FIT program and to implement certain policy changes with regard to FIT prices, capacity allocation and prioritization of projects. The Ministry's Renewable Energy Facilitation Branch was continuing to meet regularly with the OPA to exchange information, ensure consistent tracking of renewable energy project data, discuss policy-related issues and conduct policy analyses.

PROCUREMENT OF RENEWABLE ENERGY

Procurement Methods

Recommendation 3

To ensure that the price of renewable energy achieves the government's dual goals of cost-effectiveness and encouraging a green industry, the Ministry of Energy and the Ontario Power Authority should:

- *work collaboratively to give adequate and timely consideration to the experiences of other jurisdictions and lessons learned from previous procurements in Ontario when setting and adjusting the renewable contract prices;*
- *work with the Independent Electricity System Operator to assess the impact of curtailing renewables as part of its energy planning in order to identify ways to optimize the electricity market; and*
- *ensure that adequate due diligence is undertaken, commensurate with the size of electricity-sector investments.*

Status

In our *2011 Annual Report*, we noted that there was minimal documentation to support how FIT prices were calculated and a lack of independent oversight on their reasonableness. We also noted that there had been inadequate assessment of the potential costs of curtailing renewable energy (a situation where the IESO instructs generators to reduce all or part of their output to mitigate an oversupply of energy) even though there was a strong likelihood of curtailment occurring in the future. At the time of our 2011 audit, FIT contracts offered renewable energy generators an additional contract payment to compensate them for any revenue lost as a result of a curtailment instruction. We also found that the normal due diligence process had not been followed for the $7 billion Green Energy Investment Agreement with the Korean consortium and that no comprehensive and detailed economic analysis or business case had been prepared prior to the Minister entering into that agreement. In its responses to our *2011 Annual Report*, the Ministry noted that it would work with the OPA to undertake a mandatory review of the FIT program at the two-year mark, and would continue to work with the IESO to develop new rules and tools to better integrate renewable energy sources into the market and provide full analyses of new investments in renewable energy projects.

At the time of our follow-up, the Ministry's FIT program review team considered the experiences of other jurisdictions in setting and adjusting prices for renewable energy, as well as global and local factors that influence pricing for renewable energy projects. The Ministry intends to continue reviewing FIT programs in other jurisdictions, indicating that 92 other jurisdictions have implemented FIT programs and that it was common practice to review them regularly.

In reviewing the FIT program, the OPA also included an assessment by external consultants of price-setting in other jurisdictions, a global scan of jurisdictions and comparable programs, a review of stakeholder input and further analysis by the OPA. The review recommended reducing FIT prices for some forms of renewable energy. The OPA's recommendations on FIT prices were presented to the government during the first quarter of 2012, resulting in a new FIT Price Schedule for 2012. To balance the interests of all Ontarians while continuing to encourage investment, FIT prices for new projects in 2012 were reduced on average by more than 20% for solar power and by approximately 15% for wind power. At the time of our 2011 audit, there were over 3,000 project applications representing more than 10,400 MW yet to be committed. As of July 2013, about 150 MW of renewable energy projects had been committed at the new, reduced FIT prices. At the time of our follow-up, 2013 FIT prices had been further reduced after a stakeholder consultation undertaken by the OPA. For example, the price for new solar projects under the FIT program was further reduced by about one-third effective August 26, 2013, meaning the new price is about 50% lower than the original price when the FIT program was launched.

Regarding other investments in renewable energy projects, the government has revised its Green Energy Investment Agreement with the Korean consortium, which includes Samsung C&T Corporation. The total commitment for renewable energy projects has been reduced from 2,500 MW to 1,369 MW, representing an estimated $3.7 billion reduction from the $9.7 billion contract cost (at the time of our 2011 audit, the estimated amount of the investment was $7 billion). On June 12, 2013, the Minister of Energy directed the OPA not to procure large projects (greater than 500 kilowatts) under the FIT program and to develop a new competitive procurement process with input from stakeholders, municipalities and Aboriginal communities to help identify appropriate locations and siting requirements for new large projects. On June 17, 2013, the OPA and the IESO launched a province-wide initiative to increase awareness and seek input on regional electricity planning and the siting of large electricity infrastructure. In September 2013, the OPA submitted interim recommendations to the Minister following extensive consultations.

With respect to the impact of curtailing renewable energy, throughout 2012 the OPA supported the IESO on a dispatch management approach for renewable generation. The OPA engaged with renewable energy suppliers to address generators' concerns about the impact of the IESO's Renewable Integration Market Rule amendments that require renewable generators to turn down or off when there is an oversupply of energy in the system. To support the efficient implementation of these market rules, the OPA renegotiated with renewable energy suppliers to deal with the impact of these market rules on their contracts. The OPA indicated that it has reached an agreement with most suppliers and intends to continue working with the remaining suppliers. This agreement will provide financial certainty to suppliers and reduce costs to electricity consumers in that suppliers will bear the costs for a certain number of curtailed hours rather than receiving additional contract payments to compensate them for any revenue lost as a result of curtailment. According to the IESO, the implementation of these market rules is expected to result in savings ranging from $70 million to $200 million in 2014.

Co-ordination and Planning for the Procurement of Renewable Energy

Recommendation 4

To avoid unintended costs arising out of changes to regulatory requirements and changes to supply and demand situations, the Ontario Power Authority and the Ministry of Energy should work collaboratively with other ministries and agencies to ensure that they are made aware on a timely basis of anticipated policy and regulatory changes.

Status

In our *2011 Annual Report*, we noted several instances where renewable energy initiatives had led to litigation and potentially unnecessary compensation because of conflicts with environmental impact and planning decisions. In their responses to our report, the Ministry and the OPA acknowledged the importance of close collaboration with other ministries and agencies on proposed policy and regulatory changes.

At the time of our follow-up, the Ministry was collaborating with other ministries, including the Ministry of the Environment and the Ministry of Natural Resources, to streamline regulatory approval processes and eliminate some unnecessary delays or duplication. Specifically:

- The Ministry of the Environment has implemented amendments to the Renewable Energy Approval regulation as part of the response to the FIT program review. Two sets of amendments were enacted, on July 1, 2012, and November 2, 2012, respectively. The amendments are intended to clarify requirements and improve turnaround times for applications by streamlining the regulatory process while maintaining environmental protection. The Ministry projected that these efforts could help improve timelines for project approvals by up to 25%. The Ministry of the Environment has also initiated a new registry for certain small-scale ground-mounted solar projects, to align requirements with environmental impacts. This new approach came into effect on November 18, 2012.
- During 2012, the Ministry of Natural Resources posted to the Environment Registry for comments proposed policy changes for renewable energy projects on Crown land. The proposed changes are intended to align the release of Crown land with provincial energy supply needs and transmission availability. The Ministry of Natural Resources also developed a new Crown Land Site Report document in order to align access to provincial Crown land with the updated FIT program.
- In 2012, the Ministry of Energy created a Clean Energy Task Force that included industry experts to advise the Ministers of Energy and Economic Development and Innovation (now Economic Development, Trade and Employment) and to help connect all the companies in the energy sector. The task force is to provide advice on ways to increase collaboration between industry, utilities, academia and government; identify challenges innovative companies face when implementing new clean energy technologies and services in Ontario; and provide advice on export market opportunities for the clean energy sector.
- The government created a new Renewable Energy Committee in 2012 that included senior officials from relevant ministries to help monitor the progress of projects through the approvals process.

The OPA has also continued collaborating with other agencies and ministries, such as Ontario Power Generation (OPG), the IESO, Hydro One, the Ministry of Energy, the Ministry of the Environment and the Ministry of Natural Resources, to assess and manage the impacts of incorporating new generation resources on the electricity system. During the FIT program review, the OPA formed technical working groups to ensure that multiple parties were aware of the changes being proposed and associated solutions. OPA staff are to continue working with the Ontario Energy Board on several initiatives, including the Renewed Regulatory Framework for Electricity (RRFE). The RRFE is a new approach to rate-setting that is intended to support cost-effective modernization of the electricity network by aligning the needs of the sector with the expectations of consumers for reliability and affordability; offering distributors a choice as to how their rates are set to better suit their circumstances; and establishing co-ordinated and optimal planning through greater harmonization and regional planning processes. OPA planning staff are also to continue collaborating with Hydro One, the IESO and local utility companies on a number of regional planning and transmission initiatives to address local supply adequacy and reliability in the Kitchener-Waterloo-Cambridge-Guelph region, York Region and Toronto. The OPA intends to continue its planning activities with the Northwest Ontario First Nations Transmission Planning Committee on the grid-connection of remote communities.

RELIABILITY OF RENEWABLE ENERGY

Recommendation 5

To ensure that the stability and reliability of Ontario's electricity system is not significantly affected by the substantial increase in renewable energy generation over the next few years, the Ontario Power Authority should continue to work with the Independent Electricity System Operator to *assess the operational challenges and the feasibility of adding more intermittent renewable energy into the system, and advise the government to adjust the supply mix and energy plan accordingly.*

Status

In our *2011 Annual Report*, we noted that there was a lack of correlation between electricity demand and intermittent renewable energy, resulting in operational challenges such as power surpluses and the need for backup power generated from other energy sources such as natural gas. We also noted that the backup requirements had both cost and environmental implications. In their responses to our report, the Ministry and the OPA agreed that system reliability and stability is a key element in energy system planning and committed to work collaboratively with IESO to improve the integration of renewable energy into the supply mix.

At the time of our follow-up, the Ministry was working with the IESO in developing the Renewable Integration Market Rules, published in 2012. These rules are intended to enhance the IESO's ability to reliably and efficiently manage an electricity system that includes a significant amount of variable generation from renewable energy sources. At the time of our follow-up, all of the market rule amendments had come into effect.

As the IESO implements the market rules, the OPA intends to continue working with the IESO and renewable energy suppliers on integrating renewable energy into the Ontario system and ensuring that renewable energy generators turn down or off when there is an oversupply of energy in the system.

The Ministry was consulting on and working with the OPA and the IESO to develop an updated Long Term Energy Plan (LTEP), which was expected to be finalized before the end of 2013. The Ministry developed an interactive tool and consumer survey in summer 2013 on the review of the LTEP, and a series of educational poster boards for consultations scheduled to be launched on the Ministry's website in November 2013.

DELIVERY OF RENEWABLE ENERGY

Recommendation 6

To provide investors who have submitted applications for Feed-in Tariff (FIT) projects with timely decisions on whether their projects can be connected to the grid and to ensure that adequate transmission capacity is available for approved projects, the Ontario Power Authority should work with the Ministry of Energy and Hydro One to:

- *identify practical ways to deal on a timely basis with the FIT investors who have been put on hold; and*
- *prioritize the connection of approved FIT projects to the grid.*

Status

In our *2011 Annual Report*, we noted that Ontario's existing transmission and distribution systems had already been operating at or near capacity when the FIT program was launched and that this limitation had hindered the timely connection of renewable energy to the grid. In their responses to our report, the Ministry said it would expedite infrastructure upgrades and work with the OPA to prioritize and effectively connect renewable projects.

At the time of our follow-up, in keeping with the interest of providing generators with more information about system availability, one recommendation arising from the review of the FIT program was for the OPA to update its Transmission Availability Tables on a regular basis. These tables indicate to proponents where transmission capacity will be available for connecting their renewable energy projects. At the time of our follow-up, these tables had most recently been posted in December 2012 for upcoming small FIT projects.

The Ministry also informed us that Hydro One has been making progress on upgrading a number of transmission stations to enable small-scale renewable energy projects. For example, six upgraded Southwestern Ontario stations have been placed in service. In June 2012, Hydro One announced that it had brought the Bruce to Milton Transmission Reinforcement Project online six months earlier than anticipated. The project is to connect more than 3,000 MW of clean energy from both nuclear and renewable power resources. Hydro One received approval from the Ontario Energy Board in November 2012 to rewire an existing transmission line west of London. This project, which is expected to be in service at the end of 2014, is to enable connection of an estimated 500 MW of renewable capacity, depending on project type and location. In addition, at the time of our follow-up, Hydro One had initiated upgrades to five key transmission stations in Toronto, Ottawa and St. Catharines that are to remove limitations to connecting more renewable generation in some areas of the province.

With respect to the prioritization of connecting FIT projects to the grid, the report released by the Ministry on March 22, 2012, included a detailed discussion on the revised FIT and microFIT application and contracting processes. This discussion was included to provide clarity to applicants regarding the application steps, timelines, and prioritization for contracting. The OPA has been working with the Ministry to identify applicants who received conditional offers of contracts for their microFIT projects but have been unable to connect their projects at their original locations owing to connection constraints. The OPA noted that there were 180 applicants eligible to participate in the relocation options. These applicants collectively hold 2,671 projects accounting for 26.4 MW. Their projects are to be relocated to places where they would be able to obtain connection.

SOCIO-ECONOMIC, ENVIRONMENTAL AND HEALTH IMPACTS OF RENEWABLE ENERGY

Socio-economic Impacts

Recommendation 7

To ensure that the provincially reported estimate of jobs created through the implementation of the renewable energy strategy is as objective and transparent as possible, the analysis should give adequate consideration to both job-creation and job-loss impacts, as well as job-related experiences of other jurisdictions that have implemented similar renewable energy initiatives.

Status

In our *2011 Annual Report*, we noted that it was unclear how the 50,000 new renewable jobs projection was calculated and whether it was a gross or net number of jobs. We also noted that Ontario's estimate was not consistent with the experiences of other jurisdictions that have longer histories with renewable energy. In its response to our report, the Ministry said that lessons learned from other jurisdictions with respect to the impacts of job creation and job losses would be taken into account.

At the time of our follow-up, we noted that the Ministry's calculation of 50,000 jobs to be created through the implementation of the renewable energy strategy relied on standard Ontario government methodology, including standard investment and job multipliers. This figure of 50,000 has always been characterized by the Ministry as a mix of long-term and short-term jobs. The Ministry estimated that by the end of 2012, Ontario's clean energy policies had created over 30,000 jobs in different areas including construction, installation, energy auditing, operations and maintenance, engineering, consulting, manufacturing, finance, IT and software. The Ministry projected that most new jobs will be construction- or installation-related, while the remaining jobs are expected to be in operations and maintenance, equipment manufacturing and engineering design.

The Ministry has been monitoring the development of renewable energy in other jurisdictions as well as the potential competitive and job impacts that higher electricity costs could have on industries sensitive to energy costs. In addition, the government has responded to industries sensitive to energy costs by introducing the Industrial Electricity Incentive Program. Eligible new and expanding industrial companies can qualify for a reduced electricity rate if they create jobs and bring new investment to Ontario. The program is intended to encourage existing industrial companies to expand their operations and create jobs. Stream 1 of the program (for large new investments) closed for applications in February 2013, while Stream 2 (for smaller expansions and new facilities) launched in April 2013.

The OPA has been supporting the Ministry's job-creation statistics by providing the Ministry with data available that would be helpful in assessing the socio-economic impact of renewable energy. Further, as part of the management of the FIT program, the OPA has conducted random audits on a number of FIT contracts to ensure compliance with the terms of the contracts, including the domestic content provisions for the purpose of creating jobs in Ontario. However, Japan complained to the World Trade Organization (WTO) in September 2010 that the domestic content requirement breached world trade rules by being unfairly biased against non-Ontarian manufacturers. The Ministry advised us that Ontario intends to comply with the WTO rulings and has been given 10 months, from May 24, 2013, to bring the FIT program into compliance by phasing out the domestic content requirement.

Environmental and Health Impacts of Renewable Energy

Recommendation 8

To ensure that renewable energy initiatives are effective in protecting the environment while having minimal adverse health effects on individuals, the Ministry of Energy should:

- *develop adequate procedures for tracking and measuring the effectiveness of renewable energy initiatives, including the impact of backup generating facilities, in reducing greenhouse gases; and*
- *provide the public with the results of objective research on the potential health effects of renewable wind power.*

Status

In our *2011 Annual Report*, we noted that the Ontario's estimated reduction in greenhouse gases had not been reduced to take into account the continuing need to run fossil-fuel backup power-generating facilities. We also noted that the report issued by Ontario's Chief Medical Officer of Health citing no linkage between wind turbine noise and adverse health effects was not objective. In their responses to our report, the Ministry and the OPA acknowledged that the impacts of increasing renewable energy should be quantified where possible and underpinned by objective research.

The Ministry informed us at the time of our follow-up that the government will continue to rely on the Chief Medical Officer of Health to provide advice on the potential health impacts of renewable energy generators. The Ministry of the Environment is to continue monitoring the latest findings on low-frequency noise and infrasound from wind turbines. In 2010, the Ministry of the Environment began providing funding for a five-year term to an independent research team from the University of Waterloo to undertake research on the potential health impacts of renewable energy generators. The team has been studying noise levels at houses near wind turbines and their potential health effects.

In May 2012, the OPA expanded and incorporated environmental performance and social responsibility into its energy-planning and decision-making processes. We noted that the OPA has been tracking CO_2 emissions from the electricity sector on a regular basis and intends to continue to do so as part of its ongoing energy planning. The OPA's latest tracking results at the time of our follow-up show that CO_2 emissions increased slightly from 12.2 megatonnes (MT) as of December 2011 to 12.6 MT as of December 2012. The increase in emissions was due to an increase in the amount of energy produced and exported.

Glossary

additional contract payment—the monetary compensation offered in the Feed-in Tariff (FIT) contract to renewable energy generators for any revenue lost as a result of curtailment.

curtailment—a reduction in the output of electricity generators ordered by the Independent Electricity System Operator (IESO) to mitigate an oversupply of electricity.

domestic content requirement—a requirement in the Feed-in Tariff (FIT) contract that renewable energy generators use certain made-in-Ontario components; the requirement is intended to promote job creation in Ontario.

Feed-in Tariff (FIT)—a program to procure renewable energy launched in September 2009 under the direction of the Minister of Energy, providing renewable energy generators with significantly higher contract prices than the previous procurement initiative, the Renewable Energy Standard Offer Program (RESOP), which it replaced.

Generation Procurement Cost Disclosure—an online disclosure of information on electricity costs provided by the OPA for consumers.

Global Adjustment—a component of electricity bills whose amount is calculated to make up the difference between the revenues obtained from the electricity market price and the total payments made to regulated and contracted generators (whose prices are guaranteed) and the Ontario Power Authority's conservation programs.

Green Energy and Green Economy Act—the Act enacted in May 2009 with provisions intended to attract investment in renewable energy, promote a culture of energy conservation, create a competitive business environment, increase job opportunities and reduce greenhouse gas emissions.

Green Energy Investment Agreement—the 2010 agreement between the Ministry of Energy and a consortium of Korean companies whereby the consortium committed to develop 2,000 megawatts of wind energy projects and 500 megawatts of solar energy projects in Ontario in five phases by 2016, with commitments for equipment to be manufactured in Ontario.

Hydro One—the corporation that distributes electricity across the province.

Independent Electricity System Operator (IESO)—the entity responsible for the day-to-day operation of Ontario's electrical system.

Ontario Energy Board (OEB)—the entity that regulates Ontario's electricity and natural-gas sectors.

Ontario Power Authority (OPA)—the entity responsible for forecasting electricity demand and procuring electricity supply to meet the province's power needs.

renewable energy—energy generated by natural processes, the four major forms of which are hydro (energy generated from the movement of water), wind (energy generated by turbines from air currents), solar (energy generated by photovoltaic cells that capture radiant light and heat from the sun) and bioenergy (energy generated by burning organic forestry residues and agriculture wastes).

Renewable Energy Standard Offer Program (RESOP)—a program to procure renewable energy launched in November 2006, providing fixed, standard prices to generators supplying up to 10 megawatts of renewable energy.

Chapter 4

Ministry of Finance

Section

4.04 Electricity Sector—Stranded Debt

Follow-up to VFM Section 3.04, *2011 Annual Report*

Background

In past Annual Reports, we examined the status of the electricity sector's stranded debt, defined as that portion of the total debt of the old Ontario Hydro that could not be serviced in a competitive market environment after restructuring of the electricity sector in 1999. We provided the last such update in our *2012 Annual Report*, along with information about the Debt Retirement Charge (DRC), a component of nearly every Ontario ratepayer's electricity bill.

The stranded debt came into being under the *Energy Competition Act, 1998*, which provided the legislative framework for a major restructuring of the electricity industry. This included the restructuring of the old Ontario Hydro into four main successor companies: Hydro One, Ontario Power Generation (OPG), the Independent Electricity System Operator (IESO) and the Ontario Electricity Financial Corporation (OEFC). OEFC was given the responsibility to manage the legacy debt of the old Ontario Hydro, along with certain other liabilities not transferred to Hydro One and OPG under the restructuring.

OEFC inherited $38.1 billion in total debt and other liabilities from Ontario Hydro when the electricity sector was restructured on April 1, 1999. Less than half of the $38.1 billion was supported by the value of the assets of Hydro One, OPG and the IESO. The remaining $20.9 billion not supported by the value of these assets was the initial stranded debt.

The government put in place a long-term plan to service and retire the $20.9-billion stranded debt, which included dedicating revenue streams to OEFC to help pay down this debt:

- At the time of the restructuring, the estimated present value of future payments in lieu of taxes from the electricity-sector companies (OPG, Hydro One and the municipal electrical utilities), and of future cumulative annual combined profits of OPG and Hydro One in excess of $520 million a year (the annual interest cost of the government's investment in the two companies) was estimated at $13.1 billion.
- The remaining $7.8 billion, called the residual stranded debt, was the estimated portion of the stranded debt that could not be supported by the expected dedicated revenue streams from the electricity companies. The *Electricity Act, 1998* (Act) authorized a new Debt Retirement Charge (DRC), which electricity ratepayers would pay until the residual stranded debt was retired.

The plan was intended to eliminate the stranded debt in a prudent manner while sharing the debt-repayment burden between electricity consumers and the electricity sector.

Collection of the DRC began on May 1, 2002, at a rate of 0.7 cents per kilowatt hour (kWh) of electricity, a level at which it remains today. Currently, the OEFC collects between $940 million and $950 million a year in DRC revenue, and had collected a total of about $10.6 billion as of March 31, 2013.

Our *2011 Annual Report* focused on providing details about:

- how much DRC revenue the government had collected;
- the progress in eliminating the residual stranded debt; and
- when electricity ratepayers might expect to see the DRC fully eliminated.

Section 85 of the Act, entitled "The Residual Stranded Debt and the Debt Retirement Charge," gave the government the authority to implement the DRC, and this same section specifies when it is to end. The key observations from our *2011 Annual Report* were based on our interpretations of the provisions of section 85, and on our assessment of whether these provisions had been complied with in both spirit and form. Specifically, section 85 requires that the Minister of Finance determine the residual stranded debt "from time to time," and make these determinations public. When the Minister determines that the residual stranded debt has been retired, collection of the DRC must cease.

While the Act did not specify precisely how the determination of the residual stranded debt was to be done, it does allow the government, by regulation, to establish what is to be included in its calculation. We also observed that the term "from time to time" was not formally defined, and could be left solely up to the government of the day to determine. Our *2011 Annual Report* noted the Minister had made no such public determination of the outstanding amount of the residual stranded debt since April 1, 1999. Our view was that section 85 conferred on ministers an obligation to provide a periodic update to ratepayers on the progress their payments were making to pay down the residual stranded debt. We concluded that a decade was long enough, and suggested the Minister should provide ratepayers with an update.

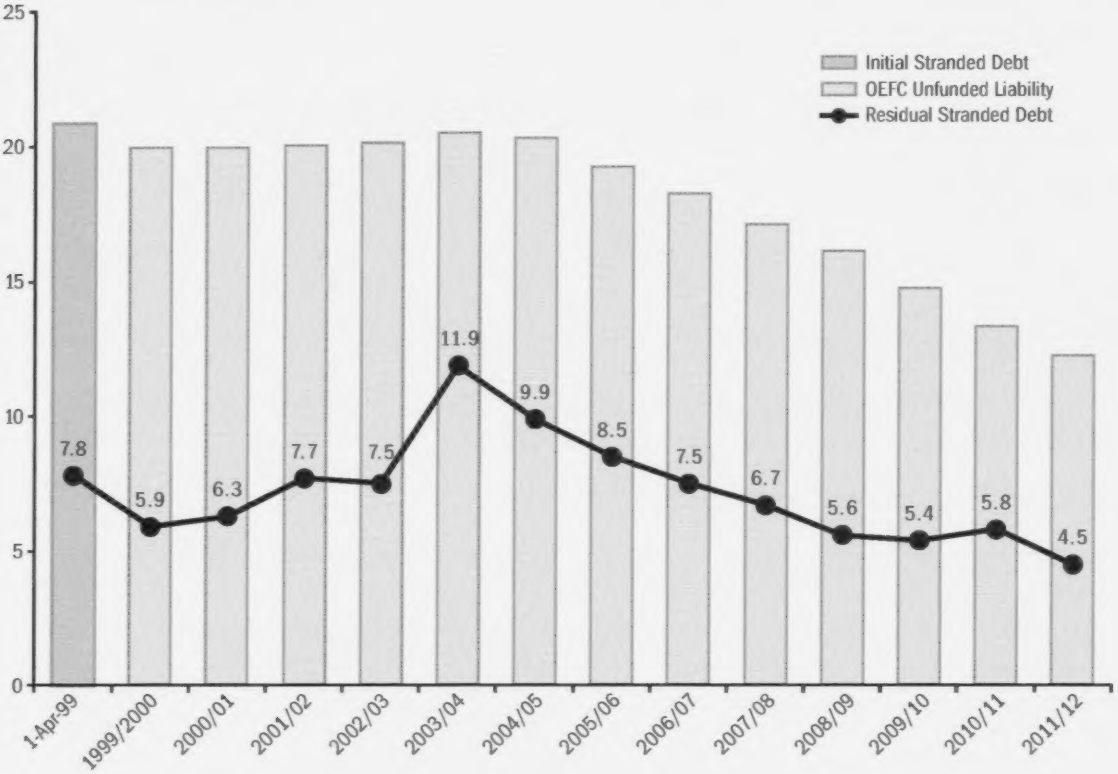
Status of Actions Taken on Recommendations

In response to these observations, the government introduced Regulation 89/12 under the Act on May 15, 2012, to provide transparency and meet reporting requirements on the outstanding amount of residual stranded debt. The new regulation formally establishes how the residual stranded debt is to be calculated, and requires annual reporting of the amount in *The Ontario Gazette*.

We were pleased to see this increased level of transparency was also reflected in the 2012 Ontario Economic Outlook and Fiscal Review and in the 2013 Ontario Budget; both indicated the Minister of Finance determined the residual stranded debt to be $4.5 billion as at March 31, 2012, consistent with the estimate provided in the 2012 Budget. The 2013 Ontario Budget also contained a chart, reproduced here as Figure 1, reflecting annual residual stranded debt estimates back to April 1, 1999, and amounts going up to March 31, 2012. Under Ontario Regulation 89/12, the determination of residual stranded debt as at March 31, 2013, will be made by the Minister of Finance after the OEFC submits to the Minister its annual report, including the audited financial statements, and by no later than March 31, 2014.

Figure 1: Residual Stranded Debt and OEFC Unfunded Liability for Each Fiscal Year Since 1999 ($ billion)

Source of data: 2013 Ontario Budget



Chapter 4

Ministry of Natural Resources

Section 4.05

Forest Management Program

Follow-up to VFM Section 3.05, *2011 Annual Report*

Background

Ontario's forests cover more than 700,000 square kilometres or about two-thirds of the province. More than 80% of the forests are on Crown land, and their management—harvesting, renewal, maintenance and so on—is governed mainly by the *Crown Forest Sustainability Act, 1994* (CFSA). The CFSA is designed to provide for the long-term sustainability of Ontario's Crown forests and their management in such a way that they meet the social, economic and environmental needs of present and future generations. In addition, the Ministry of Natural Resources (MNR) has standing authority under Ontario's *Environmental Assessment Act* regarding recurring forest management activities on Crown land, subject to conditions to which MNR must adhere.

Ontario's forest industry is an important source of employment in the province, especially in northern communities. Employment within the industry is estimated at 142,000 jobs. According to Statistics Canada, the value of Ontario's forestry sector products—that is, the province's pulp and paper, sawmill, and engineered wood and value-added wood product—is estimated to be approximately $10.5 billion per year.

In our *2011 Annual Report*, we noted that the industry had experienced a significant decline due mainly to the increase in the value of the Canadian dollar and the economic downturn in the United States, which affected demand for forest products made in Ontario. As a result, many mills in the province had closed, either permanently or temporarily, resulting in a reduction in timber harvest levels and associated forest management activities.

Most forest management activities on Crown land occur in an area of the province that is about 365,000 square kilometres known as the Area of the Undertaking. Forest management activities are generally not approved north of the Area of the Undertaking, where access is limited. Most of the land south of the area is privately owned. Productive forest within the Area of the Undertaking covers about 262,000 square kilometres; only about 190,000 square kilometres of this area are eligible for forest management activities, with the rest comprising provincial parks, private lands and areas where forest management activities cannot reasonably take place due to the terrain.

At the time of our *2011 Annual Report* and our follow-up, the Area of the Undertaking was divided into 41 Forest Management Units. Thirty-three of the 41 Forest Management Units (38 in 2011) were managed by forest management companies operating under a Sustainable Forest Licence.

Under a Sustainable Forest Licence, which may be granted for up to 20 years, the licence holder is responsible for preparing a Forest Management Plan and implementing the plan by building access roads, harvesting trees, renewing/maintaining the forest, monitoring its forest management activities, and reporting the results of its monitoring to the province. The remaining eight Forest Management Units (three in 2011) were managed by the Crown. The province also grants Forest Resource Licences, which allow an individual or company to harvest in a Forest Management Unit. Before a Forest Resource Licence can be issued, the individual or company must come to an agreement with the holder of the Sustainable Forest Licence. The Forest Resource Licence holder will generally not be responsible for any forest renewal/maintenance activities subsequent to harvesting, because this responsibility typically remains with the Sustainable Forest Licence holder. The province has granted nearly 3,400 Forest Resource Licences (nearly 4,000 in 2011), which have a maximum term of five years.

Under the CFSA, licensed forest management companies are responsible for overall forest sustainability planning and for carrying out all key forest management activities, including harvesting and forest renewal, on behalf of the Crown. The province's role in ensuring the sustainability of Crown forests has increasingly become one of overseeing the activities of the private-sector forest management companies.

Overall, we concluded in our *2011 Annual Report* that improvements are needed if the Ministry of Natural Resources and the Ministry of Northern Development, Mines and Forestry (MNDMF) were to have adequate assurance that the key objective of the CFSA—to provide for the long-term sustainability of Ontario's Crown forests—was being achieved.

Our specific observations were as follows:

- The province considered a one-hectare harvest block to have regenerated successfully if it was stocked with a minimum of 1,000 trees (that is, 40% of what the harvest block can accommodate). Harvest blocks were also held to a silviculture (the practice of controlling the establishment, growth, composition, health, and quality of forests to meet diverse needs and values) success standard, which is a measure of whether the appropriate or preferred trees have grown back. In the 2008/09 fiscal year, the latest period for which information was available at the time of our audit, we noted that about a third of the licensed forest management companies had not reported the results of their forest management activities, and MNR had not followed up with these companies. The two-thirds that had reported indicated that although 93% of the total area assessed by the companies had met the province's minimum 40% stocking standard, only 51% of the total area assessed had achieved silviculture success.
- MNR's 40% stocking standard had not changed since the 1970s. Several other jurisdictions in Canada hold the industry to higher standards. In fact, we noted that one MNR region, on its own initiative, held companies managing Crown forests in its jurisdiction to a higher stocking standard.
- Before planting, seeding or even natural regeneration can take place, it is often necessary to prepare a site to allow for regeneration to take place under the best possible conditions, thereby increasing the likelihood of success. It is also often necessary to subsequently tend the site, usually by spraying to kill off competing vegetation, to further increase the likelihood of regeneration success. On average, between the 2004/05 and 2008/09 fiscal years (the latest periods for which information was available at the time of our initial audit), only about a third of the area targeted for regeneration either naturally or by direct seeding or planting was prepared and/or subsequently tended. Moreover, the average decreased over that five-year period. In accordance with the CFSA, all Crown

forests are subjected to an Independent Forest Audit once every five years. Independent Forest Audit reports completed in the 2008 and 2009 calendar years expressed concern about inadequate site preparation or about non-existent or inadequate tending practices that were leading to reductions in growth, yield and stand densities, as well as to an increase in the time required for stands to reach free-to-grow status (meaning that the trees are free of insects, diseases and high levels of competing vegetation).

- We noted that Forest Management Plans had been completed in accordance with the requirements of the CFSA and reviewed and approved by MNR staff. However, MNR had not ensured that the most accurate and up-to-date information on forest composition, wildlife habitat and the protection of these habitats was made available at the time the plans were prepared.
- With respect to the province's monitoring of the forest industry, we noted the following:
  - MNR did not maintain a complete list of active harvest blocks in its compliance system to ensure that all harvest blocks could be identified for possible inspection, and not all of MNR's district offices used a risk-based approach for selecting blocks for inspections. Where problems were noted, repeat offenders often did not receive appropriate remedies such as a penalty or a stop-work order.
  - The forest industry is required to report its renewal activities annually to MNR. To verify the accuracy of the reporting, MNR implemented a Silviculture Effectiveness Monitoring program. However, its district offices were not completing many of the required "core tasks" in the program. Where problems were noted, little follow-up action was being taken.
  - We noted that a good process was in place to select the team that conducted the Independent Forest Audits, but that deficiencies detected during such audits were not being addressed in some cases.
- The average annual harvest between 2004/05 and 2008/09 had been only about 63% of what was planned, and had decreased from almost 80% of what was planned in the 2004/05 fiscal year to about 40% of what was planned in the 2008/09 fiscal year. The shortfall was usually due to existing licensees with sole rights to harvest Crown timber not having a market for the timber. There were indications that other companies that did not have access to timber in Ontario's Crown forests could market Ontario wood. A November 2009 competition for unused Crown wood initiated by MNDMF resulted in the allocation of approximately 5.5 million cubic metres of timber that otherwise would not have been harvested. About 25% of the winning proponents were new mills that planned to invest in the province as a result of this competition. At the time of our audit, MNDMF had no plans to hold similar competitions in the near future. In fact, we noted that MNDMF did not monitor whether there is an excess supply of Crown wood that could be reallocated to others who might be able to market the timber.
- Measures and controls did not fully ensure that Crown forest revenue was appropriately calculated and received on a timely basis and that trusts established to fund forest renewal expenditures incurred by forest management companies were administered and funded adequately.

We also noted that MNR could enhance the usefulness of the information presented in its annual report on forest management by comparing actual levels of key activities—such as harvesting, regeneration (whether occurring naturally or assisted by planting or seeding), site preparation and tending—to planned levels and providing explanations for significant variances.

We made a number of recommendations for improvement and received commitments from MNR and MNDMF that they would take action to address our concerns. (At the time of our audit both ministries were responsible for the management of Ontario's Crown forests. However, in October 2011 that responsibility fully reverted to MNR.)

Status of Action Taken on Recommendations

According to the information provided to us by MNR, some progress has been made in addressing several of the recommendations we made in our *2011 Annual Report*. For example, it had taken steps to better ensure the sustainability of the Forest Renewal and Forest Futures trusts, as well as to better manage the use of available wood supplies. However, others will require more time to be fully addressed. For example, our recommendations to better ensure the successful regeneration of Crown forests after harvesting have yet to be fully addressed. At the time of our follow-up, MNR was still in the midst of reviewing its current regeneration standards and hoped to finish its review and develop a revised direction, subject to approval, by April 2014.

The status of actions taken on each of our recommendations was as follows.

SUSTAINABLE FOREST MANAGEMENT

Forest Renewal

Recommendation 1

To better ensure that the province's Crown forests are successfully regenerated after harvesting, the Ministry of Natural Resources should:

- *follow up with those forest management companies that have not regularly reported on the results of their forest management activities in meeting the province's stocking and silviculture standards; and*
- *conduct scientific studies and research into practices in other jurisdictions to ensure that the stocking standard is adequate to ensure that forest management companies are held to a regeneration standard that will successfully renew harvested areas with the desired species.*

Where forest management companies opt for lower-end regeneration activities, MNR should, as part of its review of Forest Management Plans, ensure that there is adequate justification for these less-expensive treatments and assess whether the treatments will achieve planned renewal objectives.

Status

In our 2011 audit, we recommended that MNR follow up with those forest management companies that have not regularly reported on the results of their forest management activities. Forest management companies are required to report to MNR the results of assessments completed on areas harvested seven to 10 years previously within Forest Management Units and whether these areas have achieved the province's stocking and silviculture standards. In the 2008/09 fiscal year (the latest year for which information was available at the time of our 2011 audit), we noted that about a third of the forest management companies had not reported the results of their forest management activities in 2008/09, and MNR had not followed up with these companies. In its response to our 2011 recommendation MNR indicated that forest management companies are required to report annually to MNR on the results of any assessments that they have completed, but are not required to conduct assessments annually; instead, they may accumulate larger harvest blocks for assessment once every few years. Because of this, it is expected that not all companies will report each year. MNR agreed to follow up with any companies that have not reported regularly to ensure that they have a reasonable rationale for not doing so. In 2010/11 and 2011/12, MNR did follow up with forest management companies that had not reported by sending letters reminding them of their reporting requirements, including noting where no assessments had been undertaken. The Ministry informed us that all 2010/11 and 2011/12 annual reports had been submitted.

In regard to our recommendation that the Ministry research practices in other jurisdictions to ensure that its regeneration standards are adequate, MNR began in 2012 to review and develop guidelines for improving regeneration standards by commissioning studies that evaluated its current methodologies for assessing regeneration success, and compared standards and approaches used in other provinces. MNR hoped to finish this review and develop revised direction, subject to approval, by April 1, 2014.

MNR also informed us that it continues to monitor whether forest management companies are achieving planned objectives by opting for lower-end regeneration activities such as natural regeneration (instead of seeding or direct planting) through its Silviculture Effectiveness Monitoring program. This program consists of a number of "core tasks" that MNR's district offices are to carry out to assess industry renewal efforts. In 2010/11 and 2011/12, the program was undertaken on 80% of the forest units. However, at the time of our follow-up, MNR was still analyzing the data.

Forest Management Plans

Recommendation 2

In order that Forest Management Plans meet their objectives in ensuring the future sustainability of Crown forests, the Ministry of Natural Resources should ensure that accurate and up-to-date information on forest composition and wildlife habitat and the protection of these habitats is made available at the time the plans are prepared. MNR should also update any silviculture guides used in forest management planning on a timelier basis.

Status

At the time of our 2011 audit, MNR intended to have updated its Forest Resource Inventory, which among other things provides information on the composition, age, height and stocking of individual trees within a forest, by 2014. At the time of our follow-up, MNR informed us it was still on target to meet this timeline.

Also, at the time of our 2011 audit, MNR had determined that 42 endangered and threatened species were dependent on the province's Crown forests and likely to be affected by forest management operations, and therefore needed protection. We noted that for six of these species, no provincial prescriptions (that is, documents specifying the way the species should be protected—for example, by setting up buffer zones between the species and forest management operations) had been developed. At the time of our follow-up, MNR informed us that it had finalized habitat regulations for five of these endangered, forest-dependent species and was consulting on habitat regulation proposals for the remaining species.

Finally, in 2005, MNR had reviewed its silviculture guides used by the forest industry when preparing Forest Management Plans and concluded that all but one required revision. At the time of our 2011 audit, MNR was still revising the guides, which prompted us to recommend that MNR update them on a timelier basis. At the time of our follow-up, MNR had still not finished the work and indicated it was on track to be completed by fall 2013.

Monitoring

Inspection and Enforcement

Recommendation 3

To improve its monitoring of forest management companies' operations for compliance with applicable legislation, regulations, and policies, the Ministry of Natural Resources should:

- *review its current compliance database to ensure that appropriate linkages are made to* *complete harvest block listings so that all harvest blocks can be identified for possible inspection; and*

- *provide guidance to its district offices in adopting a risk-based approach for selecting blocks for inspection.*

MNR should also ensure that its district offices are more consistent and effective in the use of appropriate remedies to encourage compliance, especially for repeat offenders.

Status

In Ontario, the forest industry is required to inspect all harvest blocks and report to MNR all suspected incidents of non-compliance. MNR then investigates and determines the appropriate remedial action for any non-compliance.

In our *2011 Annual Report*, we noted that MNR's database did not contain a complete listing of active harvest blocks and listed only those that had been inspected by forest management companies. As a result, MNR could not readily compare all active harvest blocks with those that had been inspected and follow up with companies regarding uninspected blocks. This prompted us to recommend that MNR review the completeness of its compliance database to ensure that all harvest blocks can be identified for possible inspection. At the time of our follow-up, MNR had completed such a review to determine whether making appropriate linkages with harvest block data in Forest Management Plans would be warranted; it determined that the system change would cost approximately $300,000 and take roughly two years to complete. MNR concluded that since the harvest block data is available in Forest Management Plans and Annual Work Schedules, ensuring the completeness of this data in its compliance database was not warranted. In this regard, we note that unless MNR takes the time to compare all harvest blocks listed in each individual Forest Management Plan with those that have been inspected by the forest industry, it will not be able to attain the necessary assurance that the forest industry has inspected all harvest blocks.

With respect to our recommendation to MNR to provide guidance to its district offices in adopting a risk-based approach for selecting harvest blocks for inspection, MNR had developed draft guidance on risk-based planning for consideration in the monitoring of industry forest operations. The guidance included direction on determining how risk is to be assessed, and managed. At the time of our follow-up, MNR informed us that the guidance had been finalized and will be sent to forest managers for implementation starting April 1, 2014.

In our *2011 Annual Report*, we noted that repeat offenders often received verbal or written warnings instead of remedies that might act as more of a deterrent—such as an administrative penalty or cancellation of the forestry licence in serious cases. This prompted us to recommend that the Ministry should ensure its district offices are more consistent and effective in the use of appropriate remedies to encourage compliance, especially for repeat offenders. At the time of our follow-up, MNR had updated its Forest Compliance Handbook to provide more clarity to district offices in this area. For instance, the Ministry combined two previously separate procedures on determining and applying remedies into one, which, according to the Ministry, reduced the complexity of the direction provided to district offices. The Ministry hoped this would improve the consistency in the application of remedies among district offices. A new procedure was also implemented on April 1, 2012, to guide field staff in the appropriate use of written warnings as a remedy.

Silviculture Effectiveness Monitoring Program

Recommendation 4

To ensure that the Silviculture Effectiveness Monitoring (SEM) program adequately assesses the effectiveness of industry-reported renewal efforts in regenerating Crown forests, the district offices of the Ministry of Natural Resources should complete all core tasks as outlined in the program and follow up with forest management companies on sites found not to have met the free-to-grow criteria to ensure that the *companies subsequently took appropriate remedial regeneration measures.*

To further enhance the effectiveness of the SEM program, MNR should consider prescribing penalties that district offices can apply to encourage compliance.

Status

The Silviculture Effectiveness Monitoring program consists of a number of core tasks that MNR's district offices are to carry out to assess the forest industry's efforts in renewing forests. In our 2011 audit we noted that, for the 2008/09 and 2009/10 fiscal years, district offices that we had visited had on average completed only 40% of the core tasks prescribed in the Silviculture Effectiveness Monitoring program. In response to our recommendation, MNR agreed to take steps to improve the completion rate of the core tasks. However, at the time of our follow-up, MNR statistics indicated that, for the fiscal year 2011/12, the latest year for which statistics were available, the completion rate of the core tasks by district offices had only marginally improved, to 48%.

With respect to our recommendation that MNR should consider prescribing penalties to encourage compliance, MNR agreed in 2011 to evaluate the Silviculture Effectiveness Monitoring program to ensure that the appropriate incentives were in place to make sure that when remedial regeneration measures are required, these measures are completed by the forest industry. To this end, MNR completed a review of its Silviculture Effectiveness Monitoring program in May 2013, but indicated that changes stemming from the evaluation will be proposed as part of the next revision to the Forest Management Planning Manual and other guidance documents scheduled to begin in early 2014.

Independent Forest Audits

Recommendation 5

The Ministry of Natural Resources should ensure that action plans and status reports that address the recommendations of the Independent Forest Audits are completed on a timely basis and ensure that it assesses the extent to which previous recommendations were satisfactorily addressed.

Status

Every Forest Management Unit in Ontario is subjected to an Independent Forest Audit, which assesses a Forest Management Unit's sustainable forest management practices, at least once every five years. Upon the audit's completion, MNR and the Forest Management Unit must submit an action plan to address reported deficiencies within two months of receiving the final report, and then complete a status report two years after submitting the action plan. In our *2011 Annual Report*, we noted that forest management companies had not completed a number of the action plans and status reports for audits previously conducted on a timely basis. In its response to our recommendation, MNR said it would formally review Independent Forest Audit processes and protocols in 2011, and the results would inform ongoing improvements to the Independent Forest Audit process, including the process in place to assess the extent to which previous recommendations by auditors have been addressed. Shortly thereafter, MNR held early meetings with Sustainable Forest Licence holders on action plan development and streamlined review processes to ensure action plans and status reports were completed on a timely basis. The Ministry indicated that the action plans and status reports that were most recently due were, on average, submitted on time and, for the most part, the actions taken had satisfactorily addressed the recommendations of previous audits.

Planned Versus Actual Harvest

Recommendation 6

To help ensure that forests are being managed on a sustainable basis and that harvest operations are carried out in accordance with approved plans, the Ministry of Northern Development, Mines and Forestry should:

- *enhance its ability to monitor on an ongoing basis the excess supply of Crown wood that can be reallocated to new companies that can use or market the wood; and*
- *conduct research into successful practices used in other jurisdictions to address significant variances between planned and actual harvests.*

Status

In 2011, we noted that in those forest management units where licensees had sole rights to harvest Crown timber, but did not have a market for that timber, the actual harvest tended to fall well short of the planned harvest. There were indications that other companies that did not have access to timber in Ontario's Crown forests could market Ontario wood, which prompted us to recommend that the Ministry should better monitor the excess supply of Crown wood that can be reallocated to new companies that can use or market the wood. In its response to our recommendation, the Ministry indicated that, in the longer term, it had undertaken an initiative to modernize its tenure and pricing system in an effort to allow better access to Ontario's wood supply, thereby improving the likelihood that planned harvest volumes will actually be used.

In the meantime, in October 2011, a database and reporting tool called Trackwood was released to monitor the wood supply and identify surpluses. The information in Trackwood is updated as it becomes available. Monthly updates of the available wood supply are now shared with licensees, existing mills, new industry proponents, communities and the government's economic development staff. MNR also posts these updates on its website where the public may view them.

At the time of our follow-up, MNR had also researched practices used in Quebec and British Columbia relating to the promotion and full use of the available wood supply. MNR indicated to us that, as part of the initiative to modernize its tenure and pricing system, it was still working with the forest industry to develop a regulation that, if the available wood supply was not sufficiently used, would provide for the cancellation of a Sustainable Forest Licence, or a supply agreement or commitment. Discussions with forestry industry representatives were ongoing and at the time of our follow-up, MNR could not provide a timeline for the regulation's implementation.

CROWN FOREST REVENUE

Stumpage Fees

Recommendation 7

To ensure that the province receives the proper amount of revenue for the use of Crown forest resources, the Ministry of Northern Development, Mines and Forestry should:

- *develop overall provincial guidance for establishing wood measurement factors to ensure consistency and accuracy among the regions when determining stumpage fees;*
- *increase the number of scaling audits performed each year to ensure that all mills are subject to the required audit every five to seven years in accordance with MNDMF guidelines; and*
- *design and implement system controls in the stumpage fee information system so that invalid licence holders, and mills and haulers that are not authorized to receive and transport wood, are identified for appropriate follow-up.*

MNDMF should also formally assess the implications of renewing harvest licences where significant stumpage fees are outstanding.

Status

To calculate stumpage fees, the mills measure nearly all Crown timber harvested and report to MNR on the species of trees and the respective volumes received. MNR estimates the percentage of defective or undersized wood, which does not incur stumpage fees, by checking the number of undersized logs in a sample of loads received by mills. In our *2011 Annual Report*, we noted that there was no overall provincial guidance on how these estimates should be done, and that all three regions we visited used different methods. At the time of our follow-up, MNR had developed a 10-year provincial sampling plan to eliminate these inconsistencies and provide the framework for new regional sampling plans. At the time of our follow-up, two regions had finalized their plans and the third was in the process of finalizing its plan.

According to MNR guidelines, all mills are to be audited every five to seven years to verify that they have adequate procedures to accurately measure the Crown timber they receive. In our *2011 Annual Report*, we noted that an average of only 10 such audits had been carried out annually in the preceding nine years. At this rate, given that more than 200 mills in the province receive and measure Crown timber, it would have taken more than 20 years to audit them all. In response to our recommendation to increase the number of scaling audits each year, MNR indicated that it had reduced the scope of the audits on larger mills in cases where the audit team felt it did not compromise the audit's objective. On these larger mills, MNR examined documentation covering periods of six to 12 months, and has since reduced this period to three to six months. MNR indicated that this reduction enables it to audit the larger mills more quickly and hence allows it to do more audits overall. However, for the 2012/13 fiscal year, we noted that MNR had audited 10 mills, the same as the average number that were being audited at the time of our *2011 Annual Report*. When we questioned the Ministry on this, it indicated that in addition to shortening the review period on audits, it is also pursuing other options, such as training more staff to audit mills. This will enable it to conduct more audits in the future.

In 2011 we noted that many invoices had been processed for species that forest management companies did not have a licence to harvest, or haulers were not authorized to haul. In response to our recommendation, MNR indicated that it has proposed changes to the system that would flag any unauthorized receipt/transport of wood as an "invalid tally." Once a tally is flagged, the system would not allow it to be processed until it is verified manually and followed up appropriately. At the time of our follow-up, MNR expected to complete these changes to the system in the 2013/14 fiscal year.

With respect to our recommendation to assess the implications of renewing the harvest licences of companies with outstanding stumpage fees, MNR sent a memo to its regional directors in March 2012 recommending withholding licence approval to companies in arrears until a repayment arrangement was in place. MNR also provided us with an example of harvest approvals being withheld for a large company in April and May 2013 until the company had paid its outstanding stumpage fees. In 2011, $45 million in stumpage revenue was in arrears. As of June 2013, this amount had dropped somewhat to $40.6 million, and $13.6 million of it had been approved for write-off by an Order-in-Council.

Forest Renewal and Forestry Futures Trusts

Recommendation 8

To ensure that the Forest Renewal Trust and the Forestry Futures Trust are sufficiently funded for their intended purposes, the Ministry of Natural Resources should:

- *review the significant variances in renewal rates calculated by district offices for the same species of trees to ensure that such variances are justified;*
- *review the overall minimum balance that is to be maintained in the Forest Renewal Trust to ensure that the amount is a true reflection of the actual annual forest renewal obligation and ensure that licensees annually maintain their portion of the minimum balance;*
- *review the Forestry Futures Trust charge to ensure that it is sufficient to fund the initiatives that the trust is intended to fund; and*
- *consider requiring Sustainable Forest Licence holders to provide some form of financial assurance that can be used to cover potential silviculture liabilities if a licensee becomes insolvent or surrenders its licence.*

Status

In our *2011 Annual Report*, we found that levies deposited to the Forest Renewal Trust, established to fund forest renewal expenditures incurred by forest management companies, varied significantly across district offices even for the same species of tree. At the time of our follow-up, MNR indicated that the authority to establish these forest renewal levies had been taken from district managers and given to regional directors, and its renewal charge-setting process was revised in December 2012 to reflect this change. For the 2013/14 fiscal year, the revised process now must consider a licensee's past reimbursements of eligible renewal expenditures, a forecast of the volume and species of trees to be harvested by the licensee, and the amount of future reimbursements.

In our *2011 Annual Report*, we noted that as of March 31, 2011, five licensees had not maintained their minimum balance totalling $4 million in the Forest Renewal Trust, contravening the terms of their licences. At the time of our follow-up, three Sustainable Forest Licence holders did not meet their minimum balance requirement, totalling a little over $230,000. MNR indicated that it was actively pursuing the recovery of shortfalls from these licensees. MNR had also begun to develop a process for quantifying and maintaining a statement of outstanding forest regeneration liabilities in order to evaluate whether funds held in individual trust accounts are sufficient to cover these liabilities. This involves analyzing annual report data submitted by licensees to assess whether all regeneration obligations have been fulfilled.

Since our 2011 audit, MNR has also completed a review of the Forestry Futures Trust charge to assess whether it is adequately funded. At the time of our follow-up, MNR was considering an adjustment to the Forestry Futures Trust charge for inflation as a result of the review.

As part of an overall strategic and operational review of both trusts commissioned by MNR in March 2012, the Ministry was considering a number of options for requiring Sustainable Forest Licence holders to provide some form of financial assurance. One option that MNR was considering at the time of our follow-up was an insurance fund as a hedge against the event of bankruptcy or some other occurrence that would prevent a licensee from completing regeneration activities. An actuarial analysis of the regeneration liability and the probability of default would determine the size of the fund and the premiums. Since consultations with stakeholders would first need to be conducted on the various options under consideration, MNR could not provide a timeline for when potential changes might be made.

REPORTING

Recommendation 9

To enhance the value of its annual report on forest management, the Ministry of Natural Resources should compare actual levels of key forest management activities—such as harvest and regeneration (that is, natural, planting, seeding, site preparation, and tending)—to planned or target levels and should provide explanations for any significant variances.

Status

In its 2009/10 annual report on forest management (tabled in the Legislature December 2012), MNR included planned harvest area and volume levels. MNR has yet to table the 2010/11 annual report. When we questioned why the report had not yet been tabled, MNR indicated that it is up to the discretion of the government since there is no legislative timeline for tabling. The 2010/11 annual report, when tabled, will include planned regeneration levels as well. MNR indicated that future reports will include a more detailed analysis of actual versus planned levels of harvest and regeneration, and explanations of any significant variances.

OTHER MATTER

Licensing of Mills

Recommendation 10

The Ministry of Northern Development, Mines and Forestry should ensure that forest resource processing facility licences are granted only to those forest resource processing facilities that demonstrate that they have sufficient financial resources to operate, and ensure that forest resource processing facilities submit the required annual returns on a timely basis.

Status

To obtain a licence, mills are required to submit a business plan to the Ministry, which must be satisfied that the applicant has the ability to finance, operate and manage the facility. In our *2011 Annual Report*, we noted that licences had been issued to some mills that had submitted business plans that did not demonstrate the applicant's ability to adequately finance the facility.

At the time of our follow-up, MNR had instituted new requirements for the assessment and documentation of the financial resources of new forest resource processing facilities (mills) applying for a licence. For instance, as part of a business plan that demonstrates that a prospective mill has the ability to finance, operate and manage the facility, it is required to submit, among other things, audited financial statements for the past three years, pro forma income statements, balance sheets and cash flow statements for the first five years of operation, credit rating and the name of the financial institution supporting its application.

Mills are also required to submit an annual return that reports on the facility's operations based on the volume processed. In our *2011 Annual Report*, we also noted that about two-thirds of the annual returns were either not submitted on a timely basis, or not submitted at all. In March 2013, MNR completed a project to improve the timeliness of the submission of annual returns by forest resource processing facilities. The project simplified the submission and approval processes in the electronic system that handles facility annual returns (eFAR). At the time of our follow-up, the Ministry informed us that for the 2007–2011 period, returns covering 87% of the volume processed had been submitted. The due date for 2012 returns was September 30, 2013, and at the time of our follow-up, returns covering 57% of the volume processed had been submitted.

Chapter 4

Section

4.06 Funding Alternatives for Family Physicians

Ministry of Health and Long-Term Care

Follow-up to VFM Section 3.06, *2011 Annual Report*

Background

In the past, Ontario's family physicians were traditionally paid almost entirely on a fee-for-service basis from the Ontario Health Insurance Plan (OHIP) for providing medical services. Over the past 10 years, the Ontario Ministry of Health and Long-Term Care (Ministry) has significantly increased its use of alternate funding arrangements for family physicians in order to, among other things, improve patients' access to care and provide income stability for physicians.

There are 17 types of alternate funding arrangements for family physicians. Under many of them, instead of receiving a fee for each service performed, physicians are paid an annual fee (called a capitation fee) to provide any of a specific list of services to each enrolled patient (that is, each patient who agrees to see the physician as his or her regular family physician). Physicians may bill for additional services, as well as for services to non-enrolled patients, on a fee-for-service basis (for a list of the types of payments physicians can receive, see Figure 1). As was also the case at the time of our 2011 audit, the Family Health Group (FHG), Family Health Organization (FHO), and Family Health Network (FHN) arrangements account for more than 90% of family physicians in alternate funding arrangements and more than 90% of enrolled patients.

Alternate funding arrangements are generally established and modified by the Physician Services Agreement between the Ministry and the Ontario Medical Association (OMA), which bargains on behalf of physicians in Ontario. This agreement specifies the services that physicians must provide and the compensation that the province will pay for services rendered. Up to now, it has generally been negotiated every four years, but the latest agreement was for a two-year period only and therefore will be renegotiated in 2014.

By the end of the 2012/13 fiscal year, 8,100 of the province's 12,500 family physicians were participating in alternate funding arrangements (7,700 of almost 12,000 family physicians in 2010/11), and 10 million Ontarians had enrolled with these physicians (9.5 million in 2010/11). Of the $4.2 billion in total payments made to the province's family physicians in 2012/13 ($3.7 billion in 2009/10), $3.4 billion was paid to physicians participating in alternate funding arrangements (more than $2.8 billion in 2009/10), with $2.2 billion of this amount related to non-fee-for-service payments, such as annual capitation payments ($1.6 billion in 2009/10).

In our *2011 Annual Report*, we found that most family physicians participating in alternate funding

Figure 1: Selected Types of Payments under Alternate Funding Arrangements for Family Physicians

Prepared by the Office of the Auditor General of Ontario

Type of Payment	Description
Base capitation	a fixed amount paid for each enrolled patient, based on age and sex, for providing services listed in the contract, regardless of the number of services performed or the number of times the patient visits the physician (for example, base capitation for FHOs ranges from about $58 to $521 per patient, and for FHNs from about $52 to $367)
Access bonus	a portion of the base capitation that is reduced when enrolled patients seek care for services listed in the alternate funding arrangement from a physician outside the group the patients are enrolled with
Comprehensive care capitation	a fixed amount paid for each enrolled patient, based on age and sex, for being responsible for a patient's overall care and co-ordinating medical services, such as referrals to other health-care providers
Complex capitation	a fixed amount paid for enrolling a "hard-to-care-for" patient
Enhanced fee-for-service	physicians bill OHIP and are paid at a rate higher than the traditional fee-for-service value for each patient service provided; the amount in excess of the traditional fee-for-service value is referred to as a "top-up" payment
Fee-for-service	physicians bill OHIP and are paid the established fee per the OHIP fee schedule for each service provided to a patient
Incentives	additional payments to physicians to provide specific services, such as patient care on weekends, preventive care and diabetes management; encourage certain activities (e.g., enrolment of certain types of patients, such as hard-to-care-for patients); and compensate physicians for continuing medical education courses
Shadow billing	physicians who receive base capitation funding can bill OHIP and be paid a percentage of the traditional fee-for-service amount for patient services listed in the alternate funding arrangement; physicians are generally eligible for either shadow billing or enhanced fee-for-service

arrangements in 2007/08 were being paid at least 25% more than their counterparts in the fee-for-service system. By 2009/10, the 66% of family physicians who participated in alternate funding arrangements were receiving 76% of the total amount paid to family physicians. The Ministry had not tracked the full cost of each alternate funding arrangement since 2007/08, or analyzed whether the expected benefits of these more costly arrangements had materialized.

Some of our other significant observations included the following:

- Based on a survey it commissioned, the Ministry estimated that various initiatives, including alternate funding arrangements, had resulted in almost 500,000 more Ontarians having a family physician in 2010 than in 2007. However, the survey also found that patients generally indicated that the wait times to see a physician had not changed significantly. Although more than 40% of patients got in to see their physician within a day, the rest indicated that they had to wait up to a week or longer.
- Of the 8.6 million patients enrolled with either an FHO or an FHG, 1.9 million (22%) did not visit their physician's practice in the 2009/10 fiscal year, yet the physicians in these practices received $123 million just for having these patients enrolled. Furthermore, almost half of these patients visited a different physician, and OHIP also paid for those visits.
- The annual capitation fee for each patient enrolled in an FHO could be 40% higher than the annual fee for patients enrolled in an FHN, because almost twice as many services were covered under FHO arrangements. Nevertheless, in 2009/10, 27% of all services provided

to FHO patients were not covered by the arrangement, and the Ministry paid an additional $72 million to physicians for providing these services. Thirty percent of these services were for flu shots and Pap-smear technical services, yet the Ministry had not assessed whether it would be more cost-effective to have the annual capitation payment include coverage for these and other relatively routine medical services.

We made a number of recommendations for improvements and received commitments from the Ministry that it would take action to address our concerns.

Status of Actions Taken on Recommendations

The Ministry provided us with information in the spring and summer of 2013 on the current status of our recommendations, indicating it had made some progress in implementing the recommendations in our *2011 Annual Report*. For example, the Ministry has started to periodically monitor whether physician groups are meeting their after-hours service requirements. However, it will take longer to implement most other recommendations, such as monitoring the frequency and nature of physician services provided to patients, tracking the average amount paid to a family physician participating in an alternate funding arrangement, reviewing the impact of enrolment size on patient access to care, and reviewing the impact of existing financial incentives on hard-to-care-for patients. The Ministry and the OMA have agreed to conduct a number of joint studies to look at many of our concerns regarding patient access to care. They expect to complete the studies by April 2014 to inform the negotiations between the Ministry and the OMA in 2014.

The status of the actions taken on each recommendation is described in the following sections.

ESTABLISHING ALTERNATE FUNDING ARRANGEMENTS

Recommendation 1

To help ensure that alternate funding arrangements for family physicians meet the goals and objectives of the Ministry of Health and Long-Term Care (Ministry) in a cost-effective manner, the Ministry should:

- *periodically analyze the costs and benefits of existing alternate funding arrangements to determine whether the incremental costs of these arrangements are justified compared to the traditional fee-for-service model;*
- *when negotiating alternate funding arrangements with the Ontario Medical Association (OMA) ensure that it has good information on the relative costs and benefits of new arrangements being considered as compared to the traditional fee-for-service compensation model, so that it is able to take a well-informed bargaining position; and*
- *require all physicians to sign a contract before commencing participation in an alternate funding arrangement.*

Status

The Ministry has started a formal evaluation of the two main alternate funding arrangements: the Family Health Groups (FHGs) and Family Health Organizations (FHOs). The evaluation is expected to measure the effectiveness of the models against identified objectives and establish baseline information on the performance of FHG and FHO models in comparison to the traditional fee-for-service model. The evaluation is expected to include a comprehensive jurisdictional literature review, analysis of data from the claims-payment system, and surveys of patients and physicians. At the time of our audit, the Ministry told us that work was under way on the first two components of the evaluation (literature review and data analysis), and that it was considering using its new Health Care Experience Survey to obtain the views of patients and physicians. The Ministry expects to complete the evaluation by January 2014.

The Ministry also said it will continue the practice of fully costing any new alternate funding arrangements, and any amendments to existing arrangements, prior to negotiations. Since our audit, there have not been any new types of alternate funding arrangements. The Ministry informed us that, for the purpose of negotiating the 2012 Physician Services Agreement with the OMA, it prepared a series of proposals on various aspects of alternative funding arrangements for family physicians. These proposals were designed to simplify or reduce the different types of payments under the contracts, achieve savings, better define service expectations and performance measures, and improve access to care and quality. In most cases, these proposals contained information on the expected costs of the proposed changes. Changes made to the 2012 Physician Services Agreement as a result of these proposals are referred to throughout this status update where appropriate.

The Ministry also informed us that it has refined its registration procedures to include a checklist of all documentation required, including signed contracts and declaration forms, prior to commencing funding to physicians under alternate funding arrangements. This process should help ensure that signed contracts and declaration forms are in place for new arrangements or for physicians joining existing arrangements. The Ministry told us that it did not ensure signed contracts or declaration forms were in place for existing physicians.

ENROLLED PATIENTS

Recommendation 2

To better ensure that alternate funding arrangements are cost-effective and that patients have access to family physicians when needed, the Ministry of Health and Long-Term Care should:

- *periodically review the number of patients who do not see the physician they are enrolled with, and assess whether continuing to pay physicians the full annual capitation fee for these patients is reasonable;*
- *review the impact of its policy that allows practices with more than five physicians to enrol only 4,000 patients in total, rather than the 800 patients per physician required by practices with fewer physicians, to determine the impact this policy has on access for people with no family physician; and*
- *review the number of patients being de-enrolled by their physician to determine whether a significant number of these patients are in the hard-to-care-for category, and, if so, whether the current financial incentive arrangements should be revised.*

Status

The Ministry informed us that it plans to review its policies regarding:

- the appropriateness of paying capitation payments for enrolled patients who do not visit the physician with whom they are enrolled for at least a one-year period;
- the impact on access to care resulting from controls on minimum enrolment size; and
- the linkage between de-enrolment and patient complexity, and whether enhanced/modified payment incentives are required to ensure continued access to care.

The Ministry has identified the data and resources needed to perform the reviews, but has not yet extracted the data to begin the analyses. The Ministry advised us that any proposed changes resulting from the policy reviews would have to be negotiated with the OMA, either as part of the next round of negotiations for the upcoming 2014 Physician Services Agreement, or through the contract amendment process set out in the current 2012 Physician Services Agreement.

In the Ministry's 2011 response to our audit recommendation, it indicated that work was underway by a joint ministry/OMA working group, with support from the Institute for Clinical Evaluative Sciences, to evaluate options for modifying the capitation rate in order to resolve issues related to maintaining complex patients in capitation-based funding models (the rate currently only takes into account the age and sex of a patient). The study formed the basis for an interim acuity modifier included in the 2012 Physician Services Agreement, which is mentioned in the next recommendation. The Ministry informed us that it expects to negotiate a permanent acuity modifier in the next round of negotiations with the OMA.

PATIENT ACCESS TO PRIMARY-CARE SERVICES

Recommendation 3

To ensure that alternate funding arrangements are meeting their goal of improving access to family physicians, the Ministry of Health and Long-Term Care (Ministry) should:

- *periodically monitor whether physicians participating in alternate funding arrangements provide patients with sufficient and convenient hours of availability, including after-hours availability, as required by the arrangements; and*
- *conduct a formal review of whether alternate funding arrangements are meeting the goal of improving access, especially given that the Ministry's Primary Care Access Survey indicates little change in the last three years in the wait times for seeing a family physician.*

Status

At the time of our follow-up, the Ministry had implemented an annual monitoring process to evaluate the provision of after-hours services by family physicians in alternate funding arrangements, and had developed a process to encourage non-compliant physicians to take corrective action. Contracts define "after-hours" as Monday to Thursday after 5 p.m. and anytime from Friday through Sunday. At the time of our audit in 2011, the Ministry conducted an ad hoc review of claims for after-hours services submitted by FHNs, FHOs and FHGs for June 2010 to determine whether physician groups had complied with the after-hours service requirements. The Ministry informed us that it repeated the exercise for June 2011 and June 2012 and found that there has been a slight improvement in compliance rates over the last two years, as illustrated in Figure 2. An exemption from providing after-hours services can be obtained from the Ministry if more than 50% of physicians in the group provide certain other services outside regular hours, such as emergency room coverage. The Ministry advised us that, since 2011, it has required all physician groups who meet exemption criteria and wish to be exempt from providing after-hours service to re-apply annually for the exemption to ensure they continue to be eligible for it. According to the Ministry, over the last two years there has also been an almost 40% increase in the number of FHOs required to perform after-hours services, which is likely to improve access to services, and virtually no change for FHGs and FHNs.

The Ministry advised us that it had completed an inventory of all current contract requirements in the FHG and FHO alternative funding arrangements, and had assessed the impact associated with each contract requirement in terms of financial risk and risk to patient access. The Ministry's evaluation identified two contract requirements as high risk, for which the Ministry had no monitoring processes in place. One was physician services (the ability, for example, to provide patients with comprehensive medical care) and the other was maintaining regular business hours. The Ministry informed us that developing monitoring processes for these two areas are a priority, and that it expects to have them in place by January 2014.

According to the Ministry, improving patient access to primary care services was a key theme in the 2012 negotiations with the OMA. To that end, the 2012 Physician Services Agreement includes a

Figure 2: Percentage of Physician Groups in Compliance with After-hours Services

Source of data: Ministry of Health and Long-Term Care

Funding Arrangement	June 2010 (%)	June 2011 (%)	June 2012 (%)
FHG	75	79	76
FHN	41	57	50
FHO	60	72	62

number of provisions to improve access to family physicians, such as:

- bonuses to encourage more house calls;
- implementation of an interim acuity modifier in capitation payments to take into account the seriousness of a patient's medical condition; and
- enhanced after-hours service requirements for groups with more than 10 physicians. For example, under the 2012 agreement, practices with 10 physicians are required to provide a minimum of seven three-hour blocks of after-hours services each week, while practices of 100 physicians must provide 20 three-hour blocks. Under the previous agreement, all practices of more than five physicians were required to provide a weekly minimum of only five three-hour blocks.

The Ministry intends to monitor house calls through fee-for-service claims and/or shadow billings, and the enhanced after-hours services for large groups through the annual monitoring process described above. Since the acuity modifier is a one-time calculation and payment, no monitoring activity is expected.

The 2012 Physician Services Agreement also included commitments by the Ministry and the OMA to conduct two joint studies related to patient access to primary care physicians, as follows:

- a study of daytime access to primary care physicians in the various alternate funding arrangements, including recommendations on possible guidelines on daytime operations that could include standards for group size, and strategies and support for same-day or next-day access; and
- a policy review to consider the value of access bonuses (the amounts deducted from capitation payments to physicians in FHNs or FHOs when their enrolled patients seek non-emergency treatment outside the practice), the impact on emergency departments, exemption for urgent care centres and GP-focused practices, and the impact of walk-in clinics.

Both studies are to be conducted by a joint committee of the Ministry and the OMA that is expected to report back by April 2014. The Ministry informed us that it would consider recommendations from the two joint studies in developing proposals for the 2014 round of negotiations with the OMA.

PAYING FAMILY PHYSICIANS

Recommendation 4

To facilitate the administration of the current complex alternate funding arrangements for family physicians, the Ministry of Health and Long-Term Care (Ministry) should consider reducing the number of arrangements and simplifying the types of payments. Further, to better ensure that the alternate funding arrangements are cost-effective, the Ministry should:

- *review the fee-for-service payments to physicians for services not covered by the annual capitation payment, and determine whether significant savings may be possible by having them covered by the capitation payment; and*
- *consider negotiating a reduction in capitation payments for patients who never or seldom see the physician they are enrolled with, as well as a further reduction in capitation payments to better reflect the cost of non-emergency services that patients obtain from physicians who are not part of the practice they are enrolled with.*

Status

The Ministry advised us that during the 2012 negotiations with the OMA, it proposed moving towards a single capitation payment model that would cover more clinical services than before. It also proposed to simplify the types of payments under the various contracts. However, negotiations with the OMA did not result in any changes in the number of arrangements, nor in the list of services covered under each type of arrangement.

The 2012 negotiations with the OMA did, however, result in some changes in the types of payments made to physicians. According to the 2012 Physician Services Agreement, some types of payments were eliminated for all types of funding arrangements, while other types of payments were eliminated for only some arrangements. Overall, this reduced the number of different types of payments to physicians in FHGs to 37 from 42, and to physicians in FHOs to 52 from 61.

In addition, the Ministry told us that it plans to initiate a review of all bonus and premium payments under the various contracts to identify opportunities to further simplify payments. It expects to use the results from this review to propose changes to the OMA in 2014.

With regard to the issue of physicians being paid a capitation rate for patients they seldom or never see, the last round of negotiations with the OMA did not result in a reduction in capitation rates for these patients. Instead, the Ministry hopes to establish an acuity modifier that will address service utilization under the capitation-based payment models. The last round of negotiations also did not produce an increased penalty in capitation payments (that is, the access bonus) to physicians when their enrolled patients seek non-emergency services from outside the practice. As noted in the previous recommendation, the Ministry and OMA have committed to jointly conduct a policy review of the access bonus payment for capitation-based models like FHNs and FHOs. In its 2011 response, the Ministry stated that a similar review was under way at that time. However, it was put on hold once negotiations started with the OMA.

MONITORING

Recommendation 5

To provide the Ministry of Health and Long-Term Care (Ministry) with information that would facilitate better monitoring of the benefits and costs of each alternate funding arrangement for family physicians, the Ministry should:

- *periodically review shadow billing data to determine the frequency and nature of services provided by physicians in each arrangement;*
- *track the total amount paid to physicians participating in each arrangement; and*
- *track the average amounts paid to each physician both for reasonableness and for the purposes of comparing them to physician compensation under the traditional fee-for-service funding model.*

Status

At the time of our follow-up, the Ministry was still in the process of developing monitoring activities that would address the recommendations above and support future program or policy design changes for capitation-based models, including FHNs and FHOs. The Ministry informed us that it had identified its data needs and extracted data for initial analysis, and was in the process of developing regular production reports for payment tracking and analysis. The Ministry expects regular production reports to be developed by late autumn 2013 and regular monitoring activities to begin soon after.

Chapter 4

Section

4.07

Ministry of Health and Long-Term Care

Funding Alternatives for Specialist Physicians

Follow-up to VFM Section 3.07, *2011 Annual Report*

Background

Specialist physicians provide services in more than 60 areas, including cardiology, orthopaedics, pediatrics and emergency services, and generally obtain most of their income from fee-for-service Ontario Health Insurance Plan (OHIP) billings. In the 1990s, the Ministry of Health and Long-Term Care (Ministry) introduced alternate funding arrangements to encourage specialist physicians to work in remote areas of the province, as well as to encourage them to provide certain services for which they were not compensated under the existing fee-for-service basis, such as academic services, including training new physicians and conducting research. In 1999, the Ministry introduced specialist alternate funding arrangements for physicians (generally family physicians) who provide emergency services in hospitals.

Alternate funding arrangements are contractual agreements between the Ministry, a group of physicians, and in most cases the Ontario Medical Association (OMA, the organization that bargains on behalf of physicians in Ontario) and may include other organizations such as hospitals and universities. Alternate funding arrangements for specialists are also subject to provisions in the physician services agreement between the Ministry and the OMA, which has been negotiated every four years since 2000, with the most recent agreement signed in 2012.

In the 2009/10 fiscal year, more than 9,000 physicians were funded under a specialist alternate funding arrangement, but the Ministry was not able to provide us with the number of specialists and emergency room physicians paid under these arrangements in 2012/13 in time for publication. In the 2012/13 fiscal year, the Ministry paid $1.3 billion under specialist alternate funding arrangements to physicians (almost $1.1 billion in 2009/10), which accounts for about 18% of the $7.1 billion in total that the Ministry paid to all specialists and emergency room physicians that year (17% of $6.3 billion in 2009/10). As of March 31, 2010 (the latest available information), 50% of specialist physicians and more than 90% of emergency department physicians in the province were paid, at least in part, through a specialist alternate funding arrangement.

In our *2011 Annual Report*, we found that the Ministry had conducted little formal analysis of whether the alternate funding arrangements for specialists had yielded the expected benefits—such as improving patients' access to specialists—or whether the arrangements were cost-effective. We found, for instance, that payments to emergency department physicians increased by almost 40% between 2006/07 and 2009/10, while the number of physicians working in emergency departments increased by only 10%, and the number of patient visits increased by only 7%.

Some of our more significant observations were as follows:

- Specialists could earn numerous types of payments and premiums under alternate funding arrangements (formed through arrangements among hospitals, universities with a medical school and physicians), making it difficult for the Ministry to monitor contracts and related payments. For example, for academic services at Academic Health Science Centres, there were as many as nine different categories of payments.
- Ten Academic Health Science Centres received "specialty review funding" totalling $19.7 million in 2009/10 as an interim measure to alleviate shortages in five specialty areas. Yet similar interim funding had been given annually since 2002.
- The Ministry paid $15,000 each to 234 northern specialists who gave the Ministry permission to collect information on income they earned from provincial government–funded sources.
- In order to monitor whether specialists funded under academic contracts performed the required services, the Ministry provided the specialists with a checklist to self-evaluate their performance. But the checklists were never requested back, and minimal other monitoring had been done.
- In April 2008, the Ministry paid more than $15 million to 292 physicians who signed a document indicating that they intended to join a northern specialist alternate funding arrangement. However, 11 of the physicians, who were paid a total of $617,000, did not subsequently join such an arrangement, yet they were allowed to keep the funding.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Actions Taken on Recommendations

The Ministry provided us with information in spring and summer 2013 on the status of our recommendations. According to this information, some progress has been made in implementing most of the recommendations in our *2011 Annual Report*. For example, the Ministry has developed a template to facilitate comparison of alternate funding arrangements with the fee-for-service model. However, tracking the full cost of alternate funding arrangements will take longer to implement. Some actions, such as incorporating performance measures into contracts and significantly simplifying the different types of payments under the academic contracts, will depend on further negotiations with the OMA, as they were not addressed in the 2012 negotiations.

The status of actions taken on each of our recommendations is described in the following sections.

CONTRACTING WITH SPECIALISTS

Recommendation 1

To help ensure that compensation arrangements for specialists meet the Ministry of Health and Long-Term Care's goals and objectives in a financially prudent manner, the Ministry should:

- *assess and document the anticipated costs and benefits of each alternate funding arrangement, compared to the standard fee-for-service compensation method, before entering into a formal agreement;*
- *incorporate specific performance measures into the contracts, such as the number of patients to be seen or the wait times to access care, to enable the Ministry to periodically assess what benefits are received for the additional cost of the arrangement; and*

- *require physicians to sign that they agree to the terms of the contract before commencing participation in an alternate funding arrangement.*

Status

The Ministry informed us that in 2012 it developed a cost/benefit analysis template to facilitate comparisons between alternate funding arrangements and the fee-for-service model. Since the time of our audit, the Ministry has not entered into any new agreements with specialist physicians and hence has not used the template. In addition, although almost all contracts that were in place during our 2011 audit have since expired, none have been renewed; therefore, none have been subject to a cost/benefit analysis. Payments continue to be made as per the terms and conditions of the expired agreements. At the time of our follow-up, the Ministry and the OMA were negotiating new standardized contracts.

The Ministry informed us that no performance measures have been incorporated in any existing contracts, but it has begun a process of reviewing existing agreements to identify what performance measures should be in place. The Ministry also informed us that the addition of any new performance measures must be negotiated with the OMA.

The Ministry indicated that it has reviewed the declaration and consent requirements by contract type and that currently all physicians are required to sign that they agree to the terms of the contract before commencing participation in an alternate funding arrangement. The Ministry also advised us that it has ensured that signed declaration and consent forms are on file for all agreements requiring them, except for the agreements involving the approximately 3,000 emergency room physicians paid through alternate funding arrangements. Declaration and consent forms for emergency room physicians had been held at OHIP district offices that have been since closed, and therefore they were not available for verification. The Ministry expects all physicians in alternate funding arrangements to sign new declaration and consent forms once standard contracts are negotiated.

PAYING SPECIALISTS

Recommendation 2

To better ensure that payments made under alternate funding arrangements among similar specialist groups are in accordance with the underlying contracts, the Ministry of Health and Long-Term Care should:

- *simplify the numerous different types of payments under the academic contracts; and*
- *review situations where additional funding is consistently being provided or where overfunding or duplicate payments have occurred in order to determine whether the funding should be adjusted or recovered.*

Status

The Ministry established a working group in August 2012 to review opportunities for streamlining academic payment categories, and also to review payment categories under other alternate payment/funding arrangements. As a result of its review, the working group recommended eliminating two funding categories for Academic Health Science Centres and four funding categories linked to other alternate payment/funding arrangements. The working group did not recommend eliminating any other funding categories, because they are linked to payment requirements set out in the alternate funding agreements and the physician services agreements for 2004 and 2008 between the province and the OMA. The various funding categories were not consolidated into the 2012 Physician Services Agreement. According to the Ministry, the 2012 negotiations with the OMA did not focus on individual agreements with specific specialist groups. The working group recommended that implementation coincide with the start of the 2013/14 fiscal year. At the time of our follow-up, an implementation date had not yet been determined.

The Ministry informed us that recovery practices had been reviewed to ensure that documentation is in place to support decisions related to non-recoveries. Overpayments to emergency departments, which occur when patient volumes are lower than expected, totalled $972,000 for the 2010/11 fiscal year. By December 2012, the Ministry advised us, it had recovered $315,000 and would be recovering the remaining $657,000 from emergency physician groups at two hospitals over an extended period of time in order to lessen the impact of a lump sum recovery, which could jeopardize the ability of those emergency departments to provide services 24 hours a day, seven days a week.

MONITORING ALTERNATE FUNDING ARRANGEMENTS

Recommendation 3

To better ensure that Ontarians have access to specialist physician care, consistent with the overall objective of alternate funding arrangements, the Ministry of Health and Long-Term Care should monitor whether specialist groups are providing patient care and other services in accordance with their contracts.

Further, to ensure that the benefits of the specialist alternate funding arrangements outweigh the costs, the Ministry should track the full costs of each alternate funding arrangement, including total fee-for-service billings paid to physicians, either directly or indirectly, and use this information to periodically review whether its overall goals and objectives for such arrangements are being met in a cost-effective manner.

Status

The Ministry advised us that it was developing a process to review billing data on a regular cyclical basis, which would enable it to determine, for example, whether academic physicians are providing a minimum level of clinical services, including seeing a minimum number of patients. However, the Ministry had not set an implementation date. Furthermore, as was its practice in 2011, it was continuing to analyze billing claims only when a physician group funded under an alternate funding arrangement asked to have physicians added to the group, and to identify overpayments and underpayments to emergency departments whose payments were based on patient volume.

At the time of our follow-up, the Ministry advised us that it was not yet tracking the full cost of each alternate funding arrangement, but was working with its information technology staff to develop an automated report that would track all physician payments to each alternate funding arrangement group, including base payments, premium payments and fee-for-service payments, as applicable to each arrangement.

Chapter 4

Section 4.08

Liquor Control Board of Ontario

LCBO New Product Procurement

Follow-up to VFM Section 3.08, *2011 Annual Report*

Background

The mandate of the Liquor Control Board of Ontario (LCBO)—a Crown agency with the power to buy, import, distribute, and sell beverage alcohol products in Ontario—is to be a socially responsible, performance-driven, innovative and profitable retailer. For the 2012/13 fiscal year, the LCBO's sales and other income were approximately $4.9 billion ($4.6 billion in 2010/11), and its profit was $1.7 billion ($1.56 billion in 2010/11). The LCBO remitted virtually all of that profit to the province. LCBO sales have increased 57% from 10 years ago, and its profit and the dividends it pays to the province have gone up 74% in that time.

The LCBO offers consumers more than 23,200 products—approximately 4,100 items on its general list, 6,700 Vintages products and 12,400 products available by private order—available at more than 630 stores. About 13% of general-list products and 42% of Vintages products were newly acquired for the 2012/13 fiscal year. The LCBO uses three methods to select and buy new products. The principal one, both for general-list products and for the Vintages fine wine and premium spirits line, is to issue a call to suppliers, known as a "needs letter," for a specific category of product. It can also buy products on an "ad hoc" basis or, in the case of Vintages, directly from suppliers.

Within the framework of the pricing policy established in consultation with the Ministry of Finance, the LCBO has the power to set the retail prices for the products it sells, guided by its mandate to promote social responsibility in the sale and consumption of alcohol while generating revenue for the province. Ontario's *Liquor Control Act* sets out minimum retail prices for alcohol to encourage social responsibility. This means that the LCBO, like other Canadian jurisdictions, does not sell its products at the lowest possible prices, so retail prices for alcohol products are generally higher than those in the United States.

Although some of the products that the LCBO sells are offered at lower prices in other Canadian jurisdictions, a January 2013 survey found that the LCBO had the lowest overall alcohol prices of all those jurisdictions (an April 2011 survey also found that the LCBO had the lowest overall alcohol prices), with the second-lowest prices for spirits and beer, and the lowest wine prices (the April 2011 survey found that the LCBO had the third-lowest prices for spirits and beer, and the lowest wine prices).

Our 2011 audit focused on whether the LCBO had adequate systems, policies and procedures in place for the purchase of new products, and whether such purchases were acquired and managed effectively and in compliance with applicable legislation, government directives and LCBO procurement policies.

In our *2011 Annual Report*, we noted that the LCBO had many well-established purchasing practices consistent with those in other Canadian jurisdictions and other government monopolies. Nevertheless, our 2011 audit suggested certain changes that could be made to improve some of the LCBO's processes related to purchasing and the subsequent monitoring of product performance, to better demonstrate that these are carried out in a fair and transparent manner. Our findings included the following:

- In the private sector, large retailers use their buying power to negotiate lower costs with suppliers. However, the LCBO, despite being one of the largest purchasers of alcohol in the world, does not focus on getting the lowest cost it can for a product. Rather, the cost it pays is driven by the retail price it wants to charge for a product. The LCBO gives suppliers a price range within which it wants to sell a product. Suppliers' product submissions include, among other things, the retail price at which they want their product to sell in LCBO stores, and they then work backwards, applying the LCBO's fixed-pricing structure to determine their wholesale cost. We noted that in some instances suppliers submitted wholesale quotes that were significantly lower or higher than what the LCBO expected, in which cases the suppliers were asked to revise the amount of their quotes in order to match the agreed-upon retail price, which effectively either raises or lowers the price the LCBO pays the supplier for the product.
- The LCBO does not negotiate volume discounts. This is also true of other Canadian jurisdictions we looked at. The LCBO's fixed-pricing structure gives it no incentive to negotiate lower wholesale costs; doing so would result in lower retail prices, and, in turn, lower profits, something that runs against the LCBO's mandate of generating profits for the province and encouraging responsible consumption.
- The LCBO does have many well-established purchasing practices. However, it could improve some of its processes relating to purchasing and monitoring of product performance to better demonstrate that these processes are carried out in a fair and transparent manner.

We made a number of recommendations for improvement and received commitments from the LCBO that it would take action to address our concerns in all but one area. This area is noted later in the section on recommendation 4 regarding the lack of documentation around the reasons for selection or elimination of products at the prequalification stage.

Status of Actions Taken on Recommendations

According to information the LCBO provided to us in spring 2013, it has fully implemented most of the recommendations we made in our *2011 Annual Report*. For example, the LCBO has updated its internal policies and procedures for each procurement method, including the evaluation criteria and processes to be used in assessing new-product submissions. However, a couple of the components of our recommendations that involve working with other organizations, such as the Ministry of Finance, will require more time to be fully addressed. The two particular areas that have yet to be substantially addressed are our recommendation to consider using, on a trial basis, a variable markup when purchasing new products, and our recommendation to determine the most appropriate organization to monitor compliance with the *Liquor Control Act*'s minimum retail price requirements. Progress on these is not expected until late 2013. The LCBO noted that in the meantime it continues to operate within the pricing and procurement parameters that have been set by the Ministry of Finance.

The status of actions taken on each of our recommendations at the time of our follow-up was as follows:

RETAIL PRICES OF BEVERAGE ALCOHOL PRODUCTS

Legislated Minimum Retail Prices

Recommendation 1

To better inform Ontarians about how beverage alcohol prices are set, the LCBO should provide more information to the public on its pricing policy, including how its mandate and provincial policy objectives affect pricing, and details about its pricing structure. As well, the LCBO, in conjunction with the Ministry of Finance, should establish a process for ensuring that all stores are complying with the Liquor Control Act*'s minimum retail price requirements and consider whether the LCBO is the most appropriate organization to monitor this compliance.*

Status

The LCBO has expanded its website to include more information on its pricing policy, including how its mandate and provincial policy objectives affect pricing, and details about its pricing structure.

The *Liquor Control Act*'s minimum price requirements apply to both LCBO retail stores and non-LCBO stores including The Beer Store and winery, brewery and distillery retailers. A working group made up of staff from the LCBO, the Ministry of Finance, the Ministry of the Attorney General, and the Alcohol and Gaming Commission of Ontario has been tasked with assessing where responsibility for regulating the *Liquor Control Act*'s minimum price requirements should reside. The LCBO expected the working group to have completed its interim report by late 2013.

The Cost of Beverage Alcohol Products

Recommendation 2

In keeping with its mandate to generate sufficient profits and adhere to the government's policy direction of maintaining a retail pricing mechanism that encourages responsible consumption, the LCBO should consider, in consultation with the Ministry of Finance, the following strategy on a trial or pilot basis to take advantage of its being one of the largest purchasers of beverage alcohol products in the world:

- *once product categories and their related retail price ranges have been determined, allow suppliers to offer a product at whatever cost they are willing to accept to have it sold at the LCBO, and then use a variable markup to arrive at the desired fixed retail price; and*
- *calculate the gross profit margin for a particular product based on the supplier's cost quote, and take this into consideration in making decisions on which new products to purchase along with the other evaluation criteria currently used, such as the quality of the product.*

Status

The LCBO informed us that it has provided the Ministry of Finance with options on how to proceed with piloting a purchasing strategy as suggested in our recommendation. The Ministry requested that the LCBO first consult with stakeholders before deciding whether to proceed. The LCBO expected to report back to the Ministry with stakeholder feedback by late 2013. A pilot program could begin in the 2013/14 fiscal year.

The LCBO also informed us that it was no longer asking suppliers to raise quotes that, perhaps because of an error in calculation or changes in freight or exchange rates, were too low to produce the agreed-upon retail price. It would, however, continue to ask suppliers to lower any quote that was higher than expected.

IDENTIFYING PRODUCT NEEDS

Recommendation 3

To help ensure that purchases reflect corporate sales objectives and meet customer demand, the LCBO should develop detailed annual category plans for the major beverage alcohol categories.

Status

The LCBO has developed detailed annual category plans for the major beverage alcohol categories for fiscal years 2013 and 2014. The LCBO indicated that it would continue to develop annual category plans as part of the LCBO's annual business planning process in the future.

METHODS OF PURCHASING NEW BEVERAGE ALCOHOL PRODUCTS

Recommendation 4

To ensure that it can demonstrate to suppliers and other stakeholders that purchases are acquired through an open, fair and transparent process, the LCBO should:

- *develop written policies and procedures for each procurement method, including the evaluation criteria and process to be used in assessing submissions at the various stages of the procurement process;*
- *disclose its evaluation criteria to suppliers, including a clear articulation of all mandatory requirements, an indication of the relative weighting for rated requirements where applicable, and a description of the shortlisting process; and*
- *ensure that reasons for selection and required management approvals are appropriately documented.*

Status

The LCBO has developed written policies and procedures for each procurement method, including the evaluation criteria and process it uses in assessing submissions from suppliers. This information has been published both on the LCBO's main website and on its trade resources website that suppliers use.

As noted in the LCBO's response to our audit recommendations, the LCBO had concerns with documenting the reasons for selection or elimination of products at the prequalification stage. The LCBO said it believed this process would entail either limiting the number of submissions it would accept, or hiring additional staff because of the high volume of submissions it receives. As a result, the LCBO does not believe it is practical to document these decisions at the prequalification stage of the procurement process. According to the LCBO, as of spring 2011, management has commenced overseeing and approving prequalification selections.

The LCBO also advised us that it has also been documenting the reasons for the selection or elimination of products for the submission stage onward, as well as the required management approvals, since spring 2011.

ONGOING MONITORING OF PRODUCT PERFORMANCE

Recommendation 5

To help ensure that products not meeting acceptable sales targets are identified in a timely manner, the LCBO should:

- *regularly review and assess sales targets for each product category to ensure that they continue to be reasonable and appropriate for identifying underperforming products;*
- *establish clear guidelines for the nature and timing of action to be taken when a product is identified as underperforming; and*
- *establish policies for documenting decisions on delisting and requesting supplier rebates.*

Status

The LCBO indicated that it has been setting sales targets annually and reviewing them for appropriateness throughout the year. It has also developed guidelines for actions to be taken when a product is identified as underperforming, and policies for documenting decisions on delisting and requesting supplier rebates.

Chapter 4

Section

4.09

Ministry of the Attorney General

Legal Aid Ontario

Follow-up to VFM Section 3.09, *2011 Annual Report*

Background

Legal Aid Ontario is an independent corporation accountable to the Ministry of the Attorney General with a mandate to provide low-income people with consistently high-quality legal aid services in a cost-effective and efficient manner, while recognizing the private bar (private-sector lawyers) and clinics as the foundation for providing such services.

Legal Aid Ontario provides assistance to people in three ways: it issues legal aid certificates to people who then retain private lawyers who in turn bill Legal Aid Ontario for those services; it pays and manages about 1,500 staff and contract lawyers to provide duty counsel services for people who arrive at criminal and family courts without a lawyer; and it funds and oversees 77 independent community legal clinics to assist people with government assistance issues and tribunal representation issues, such as landlord–tenant disputes. Legal Aid Ontario received $354 million in funding during the 2012/13 fiscal year, which was unchanged from 2010/11, most of that from the provincial government.

In our *2011 Annual Report*, we noted that for at least the past decade, Ontario had spent more on legal aid support per capita than any other province, even though it had one of the lowest income eligibility thresholds and issued fewer certificates entitling people to legal aid per capita than most other provinces. Legal Aid Ontario acknowledged the need to address a history of operating deficits, make its operations more cost-effective, improve access to its services and help make the courts more efficient. We noted that it had a well-defined long-term strategy to address these issues and that it had moved to increase access to legal aid services beyond the issuing of certificates, such as through expanded use of duty counsel available at courthouses and through its new call centre.

We felt that Legal Aid Ontario's multi-year long-term strategy was heading in the right direction. However, the following were some of the areas the program needed to address if it was to be fully successful in meeting its mandate:

- Only people with minimal or no income qualified for legal aid certificates or for assistance from community legal clinics, and the financial eligibility cut-offs for qualifying had not changed since 1996 and 1993, respectively. This, combined with an escalation in the average legal billing for each certificate issued, meant fewer people over the previous couple of years had been provided with certificates and more clients had been required to rely on duty counsel, legal advice and information from Legal Aid Ontario's website for legal services.
- Since its inception in 1999, Legal Aid Ontario had not had a quality assurance audit program in place with the Law Society of Upper Canada to help ensure that legal services

provided by contract and staff lawyers to its low-income and vulnerable clients were of a high standard.

- At the time of our audit, Legal Aid Ontario was working to address deficiencies with its lawyer payment system. Most importantly, strengthening of controls was required to ensure that all payments, which then totalled $188 million annually, were justified.
- Legal Aid Ontario's efforts to extract greater efficiencies from community legal clinics had strained its relationship with the clinics.
- With the significant amount of solicitor–client privileged information on Legal Aid Ontario's information technology systems, we expected it to have performed recent and comprehensive privacy and threat risk assessments of its computer databases. However, the last privacy assessment was in 2004, and its systems had changed significantly since then.

As with our 2001 audit, we again noted that Legal Aid Ontario was lacking key performance measures on the services it provides to its clients and stakeholders, and its publicly available annual report to the Attorney General of Ontario was three years overdue.

We made a number of recommendations for improvement and received commitments from Legal Aid Ontario that it would take action to address our concerns.

Status of Actions Taken on Recommendations

Legal Aid Ontario provided us with information in spring and summer 2013 on the status of our recommendations. At the time of our follow-up, Legal Aid Ontario had taken action on all of the recommendations we made in 2011. A review of financial eligibility guidelines and access to legal aid services had been completed and new performance measures developed. However, some recommendations required more time to fully implement. Legal Aid Ontario was in the process of implementing its strategy for modernizing and expanding financial eligibility for legal aid, and reviewing the efficiency and effectiveness of the community legal clinic system in Ontario. In reforming the clinic system, Legal Aid Ontario developed proposed clinic service delivery ideas with the objective of enhancing service levels and providing a greater range of services within the clinics.

The status of action on each of our recommendations was as follows.

RECENT INITIATIVES

Recommendation 1

To better inform the Legislature and the public of its strategic priorities and success in achieving its mandate of providing legal assistance to low-income Ontarians, Legal Aid Ontario should develop and implement meaningful performance measures on its key services and program outcomes, and enhance both the information in its annual report and on its website. It should also work with the Ministry of the Attorney General to ensure that its annual report is made public on a more timely basis.

Status

At the time of our follow-up, performance measures on Legal Aid Ontario's key services and program outcomes had been developed and approved by its board of directors. These measures would be used to help reduce the number of client complaints and the cost per client. These measures are included in its annual report for the 2012/13 fiscal year, which had been approved by Legal Aid Ontario's board of directors, but had not yet been tabled in the Legislature and therefore was not yet available to the public. Additional work on data collection systems was planned to enable Legal Aid Ontario to capture and report on additional performance measures in future years.

Starting in the fall of 2011, Legal Aid Ontario began producing a new Quarterly Performance Overview Report that included updates on the organization's financial position, client services, legal aid certificates and payments to lawyers. The reports are distributed to stakeholders by email and posted on Legal Aid Ontario's external website. In addition, an email-based newsletter, called LAO Express, that details current issues, projects and other events concerning Legal Aid Ontario was more frequently issued to stakeholders beginning January 2012 and also posted to Legal Aid Ontario's external website.

The annual reports for fiscal years 2009/10 to 2011/12 have now been tabled in the Legislature and posted on Legal Aid Ontario's external website. Legal Aid Ontario's three-year strategic business plan for fiscal years 2013/14 to 2015/16 has been approved by the Ministry of the Attorney General and was made available to the public in September 2013.

MEETING DEMAND FOR LEGAL AID

Recommendation 2

To help ensure that its multi-year efforts to modernize legal aid services result in delivering cost-effective services to those in need, Legal Aid Ontario, in collaboration with the Ministry of the Attorney General, should:

- *study the impact on low-income individuals of its current financial eligibility threshold, which has not been raised since 1996, and its shift to using less costly legal aid support services;*
- *assess legal aid programs in other provinces to identify the factors and best practices contributing to their lower costs that can be applied in Ontario; and*
- *continue to identify alternative ways to meet the legal needs of low-income individuals in a cost-effective manner.*

Status

Legal Aid Ontario's board chair headed an academic study group that in April 2013 completed an analysis of Legal Aid Ontario's financial eligibility guidelines, its relationship to legal aid services, access to justice and the broader justice system, and an analysis on the impact of its financial eligibility on low-income Ontarians. As a result of the study, Legal Aid Ontario completed a Financial Eligibility Modernization Plan for 2013/14 that includes a strategy for modernizing and expanding financial eligibility for legal aid. For example, Legal Aid Ontario is planning three financial eligibility pilot projects to address legal needs in youth criminal justice, family law and clinic law. The strategy to expand financial eligibility was approved by its board of directors in June 2013.

In spring 2012, Legal Aid Ontario began a comparative analysis of its per capita costs with those of other Canadian legal aid plans. This project, which is expected to be completed by the end of the 2013/14 fiscal year, examines legal aid programs in other provinces to identify the factors and best practices that contribute to their lower costs. Legal Aid Ontario advised us that data had been analyzed and results shared with other legal aid plans in January 2013. Legal Aid Ontario developed a framework for conducting an analysis of legal aid services across Canada and presented its framework at the Association of Legal Aid Plans of Canada annual meeting in June 2013.

We were advised that Legal Aid Ontario is continuously developing service delivery options. For instance, at the time of our follow-up it was developing a new service delivery model for refugee legal aid services to address recent changes to the federal government's new refugee and immigration legislation, and pilot programs of refugee claims matters handled by community legal clinics had begun in two locations.

In addition, in its 2013 budget, the provincial government announced that it is investing $30 million over three years into Legal Aid Ontario to improve access to justice and enhance outcomes for low-income families, victims of domestic violence and other vulnerable groups to respond to evolving needs.

QUALITY OF LEGAL SERVICES

Recommendation 3

To strengthen its ability to ensure that consistently high-quality legal aid services are being provided as required by legislation, Legal Aid Ontario should:

- *assess the reasons for a high number of lawyers being on conditional status for panel membership beyond the two-year maximum time allowed, and take timely action to ensure that those not meeting requirements are appropriately followed up on; and*
- *either address long-standing impediments to establishing a quality assurance audit program with the Law Society of Upper Canada or seek changes to its legislation that would allow alternative means of developing and implementing a quality assurance audit program to oversee lawyers, including considering best practices in other jurisdictions.*

Status

In 2004, Legal Aid Ontario began phasing in standards that require lawyers to demonstrate a specific level of knowledge, skill and experience in the area of law they practice. Those who meet the requirements are assigned to one or more of 10 panels to provide service in specific areas of law. New lawyers or lawyers new to a particular area of law who do not meet the experience requirement can be conditionally admitted to a panel if they agree to meet the minimum experience level within 24 months. A conditionally approved lawyer must attend training and be mentored, as determined by a district area director. Conditionally approved lawyers are authorized to accept legal aid certificates. To improve monitoring of lawyers whose status is conditional, in April 2012, Legal Aid Ontario's Quality Services Office began issuing quarterly reports to its nine district offices listing lawyers who have been admitted to the certificate panel on a conditional basis, and those who have been conditional for more than two years. District managers are expected to follow up on those lawyers. The data is summarized in a quarterly report to senior management that tracks changes over time. As a result of introducing these new measures, the number of lawyers whose status has been conditional on at least one panel for more than two years has dropped from more than 800 as per our 2011 audit report to 230 as of March 31, 2013, a 71% decrease. In addition, the percentage of lawyers on panels on a conditional basis has been reduced from 22% as of July 2011 to 14% as of April 2013.

Since 2007, lawyers have certified their compliance with Legal Aid Ontario's panel standards, including meeting experience requirements, by submitting the Lawyer's Annual Self Report. Starting in 2012, all certificate lawyers and per diem duty counsel were required to report on activities related to their conditional status.

We were told that, starting in September 2013, Legal Aid Ontario will perform random audits of lawyers to ensure their self-reporting has been accurate, and new updated panel rosters will be generated based on this self-reporting. This will allow Legal Aid Ontario to follow up with lawyers who fail to self-report to determine their compliance and ongoing intention to continue panel membership. We were also advised that a meeting was scheduled for September 2013 between Legal Aid Ontario and the Law Society of Upper Canada to discuss introducing a quality assurance audit program. Depending on the outcome of the meeting, Legal Aid Ontario may consider pursuing legislative changes.

BILLINGS BY LAWYERS

Recommendation 4

To help ensure that internal controls over lawyer billing and payment processing are appropriate, Legal Aid Ontario should:

- *assess the recoveries achieved in the most recent year's billings using the new targeted, risk-based approach, and on that basis decide whether or not to proceed with an examination of billings from additional prior periods; and*

- *assess the cost-effectiveness of its investigation activities and continue to work with the Ministry of the Attorney General for timely access to court information that is needed for verifying lawyers' billings.*

Status

Legal Aid Ontario advised us that in June 2012 its Audit and Compliance Unit implemented a revised risk-based approach to review payments to lawyers. Accounts that are at high risk for inappropriate payment are selected for examination. In addition, the Unit had developed an improved risk-based fraud detection tool, which would use computer analyses of past payments to identify inconsistencies. We were advised that the tool was in use starting in fall 2013. Legal Aid Ontario told us it planned to use the new risk-based approach and fraud detection tool to examine billings going forward, but it decided that it would not be cost effective to systematically examine all accounts from prior years.

Legal Aid Ontario's Investigations Department had implemented an improved case file management system, and we were advised that the new system allows staff resources to be more cost effectively allocated.

The Ministry of the Attorney General has provided Legal Aid Ontario with access to its court information for certain cases. A memorandum of understanding governing the data-sharing relationship between the Ministry and Legal Aid Ontario is in place for the five-year period ending in 2016. Although access to court information that is needed to verify lawyers' billings has improved, Legal Aid Ontario advised us that the information from the Ministry is still somewhat limited, and it was continuing to negotiate with the Ministry for further information at the time of our follow-up.

COMMUNITY LEGAL CLINICS

Recommendation 5

To better address the legal needs of low-income individuals served by community legal clinics, Legal Aid Ontario should:

- *assess the impact of not increasing the clinics' income threshold for determining financial eligibility since 1993;*
- *consider requiring clinics to capture and report on the number of applicants who are denied assistance and the reasons they are denied;*
- *improve the timeliness of the clinic budget review and approval process; and*
- *develop and implement performance measures for clinics that are reflective of the outcomes achieved, together with a quality assurance program that includes the quality of legal advice and services delivered to clinic clients.*

Legal Aid Ontario, in conjunction with representatives of community legal clinics, should assess the overall effectiveness of the local clinic structure and consider whether any changes are possible that would help serve more clients using available funding.

Status

An analysis of clinic financial eligibility guidelines was incorporated in Legal Aid Ontario's overall financial eligibility study completed in April 2013. The study noted that the clinic eligibility test, including its outdated financial eligibility thresholds, is likely posing a significant barrier to clinics being able to meet the needs of low-income people. Legal Aid Ontario's Financial Eligibility Modernization Plan for 2013/14 also includes a strategy for modernizing and expanding financial eligibility for legal aid at clinics.

At the time of our follow-up, in addition to refreshing the information technology infrastructure in clinics, Legal Aid Ontario was implementing its Clinic Information Management System (CIMS) to modernize how clinics track and report services to Legal Aid Ontario. CIMS will require clinics to better capture and report on the number of applicants who are denied assistance and the reasons they are denied. Draft performance measures had been developed and were being consulted on with clinics. Legal Aid Ontario told us that CIMS was scheduled for implementation in 2014.

Legal Aid Ontario had made some progress in improving the timelines of the clinic budget review and approval process, and had set a new target date of June 30 of each fiscal year to approve all budgets. Clinic budgets for the fiscal years beginning on April 1, 2012 and April 1, 2013 were finalized by regional vice-presidents for those years by June 2012 and early July 2013.

Legal Aid Ontario has been reviewing the efficiency and effectiveness of the clinic system in Ontario over the last four years. In May 2012, Legal Aid Ontario released a paper called *Ideas for the Future Development of Clinic Law Delivery Services in Ontario*, as part of its strategic planning process. In addition, Legal Aid Ontario developed proposed clinic service delivery approaches for both general and specialty legal clinics, with the objective of enhancing service levels and providing a greater range of services within the clinics. Legal Aid Ontario retained third-party consultants to evaluate the proposals and were presented with an evaluation report in December 2012. A consultation paper on clinic performance measures was finalized and published on the Legal Aid Ontario website in March 2013. On May 16, 2013, Legal Aid Ontario released its strategic direction for the delivery of clinic law services over the next five years. The Clinic Law Service Strategic Direction outlines the key objectives and principles that will shape how the future of clinic law will be further developed to improve client service in the most cost-effective way. We were advised that how change will be implemented will be the subject of much consultation and discussion with clinics and others in the months and years ahead. At the time of our follow-up, Legal Aid Ontario had plans to conduct teleconferences and in-person meetings with clinics from August to November 2013 to obtain more feedback.

INFORMATION TECHNOLOGY

Recommendation 6

To ensure that information technology systems meet privacy, security and service level standards, Legal Aid Ontario should:

- *periodically assess threats and risks associated with its sensitive information and assets and take steps to manage the issues identified; and*
- *engage the users of the information technology services in the development of key performance measures that would provide management with information on their progress in meeting user needs.*

Status

In July 2012, Legal Aid Ontario established its Privacy Impact Assessment/Threat Risk Assessment (PIA/TRA) program, which adopted principles and methodology required by all agencies and ministries of the Ontario government. We were informed that PIA/TRAs had been performed with all system changes effective mid-2012. At the time of our follow-up, a PIA/TRA for Legal Aid Ontario's key accounting and case management IT system was nearly completed. Legal Aid Ontario had hired a consulting firm to review the overall PIA/TRA program and to evaluate the PIA/TRA test plans for the accounting and case management Information Technology (IT) system. A report was received in September 2013.

Legal Aid Ontario's IT department completed an internal threat risk assessment on its production servers, where a list of short and longer term safeguards were identified. At the time of our follow-up, the IT department was in the process of establishing a plan to address each safeguard. In February 2013, a third-party consultant completed a review of the production servers and confirmed the setup and configuration was correct for reducing the risk of threats.

Legal Aid Ontario established a new, more holistic and formal strategic corporate security program, including a plan for increasing security over its external and internal IT infrastructure that was completed in fall 2013. Its internal auditor also had plans to review the implementation of the program.

IT key performance measures were formally established in 2012, and include measures for its services such as maximum phone wait times, number of incidents opened and resolved on first contact, time required to resolve issues and availability of core business application systems. Legal Aid Ontario advised us that results of performance measures are reviewed quarterly to analyze trends and identify deficiencies. In addition, an IT end-user satisfaction survey was sent out to Legal Aid Ontario staff and clinic staff in April 2013, and we were informed that the results will be used to further refine its key performance measures.

Chapter 4

Section

4.10

Ministry of the Attorney General

Office of the Children's Lawyer

Follow-up to VFM Section 3.10, *2011 Annual Report*

Background

The Office of the Children's Lawyer (Office), which is part of the Ministry of the Attorney General (Ministry), provides children under the age of 18 with legal representation in child protection cases, custody and access cases, and property rights matters such as estate matters and personal injury claims. The Office must provide legal representation for children when appointed by the court or when required by legislation in child protection and property rights cases; however, it has discretion in accepting cases when the court requests its involvement in custody and access matters.

In the 2012/13 fiscal year, the Office carried out its duties with approximately 85 staff (also 85 in 2010/11), including lawyers, social workers and support staff. The Office also engages what it calls "panel agents"— approximately 450 private lawyers (440 in 2010/11) and 245 clinical investigators (180 in 2010/11)—on an hourly fee-for-service basis. For the 2012/13 fiscal year, the Office's expenditures totalled approximately $40 million ($32 million in 2010/11). The Office accepts about 8,000 new cases a year and, as of March 31, 2013, it had more than 10,300 open cases (11,000 in 2011).

In our *2011 Annual Report*, we noted that demand for the Office's legal and clinical investigation services is significant. The Office is unique—no other jurisdiction in Canada provides children with the same range of centralized legal services. Overall, the legal and investigative work done by the Office is valued by the courts, children and other stakeholders. However, these services are often not assigned or delivered in a timely enough manner.

We identified several areas in which the Office's systems, policies and procedures needed improvement. Among our more significant findings:

- The Office's case management system was not meeting its information needs, and the Office did not have an adequate process in place for evaluating the cost-effectiveness of its operations. For example, the Office had not adequately analyzed why its payments to panel agents had increased by more than $8 million, or 60%, over the last 10 years even though new cases accepted each year decreased by 20% and the Office's overall active caseload did not change significantly over the same period.
- In the 2010/11 fiscal year, the Office exercised its discretion to refuse more than 40% of child custody and access cases referred to it by a court. We found, however, that the Office had not adequately assessed the impact of these refusals on the children and courts. Many of the decisions to refuse cases were made primarily because of a lack of financial resources.

- Although the Office has substantially reduced the time it takes to accept or refuse custody and access cases—from 68 days in 2008/09 to 39 days in 2010/11—it still was not meeting its 21-day turnaround target.
- In custody and access cases in which the Office is asked to investigate and then provide the court with a report and recommendations, Family Law Rules require it to do so within 90 days. However, the Office met this deadline less than 20% of the time and did not have any formal strategy in place for improving its performance in this regard.
- The Office had a sound process for ensuring that personal rights lawyers and clinical investigators were well qualified and selected fairly. However, there was no open selection process in place for the almost 100 property rights lawyers the Office engaged.
- In 2011, the Office permitted property rights panel lawyers to charge up to $350 an hour when recovering their costs from a child's interest in an estate, or from trust or settlement funds. Yet if the same lawyers charged the Office directly for their services, they were paid $97 an hour.
- The Office's programs for reviewing the quality of the work performed by panel agents did not include an assessment of whether the fees charged were reasonable.

We made a number of recommendations for improvement and received commitments from the Office that it would take action to address our concerns.

Status of Actions Taken on Recommendations

The Office of the Children's Lawyer has substantially addressed some of our recommendations and made progress in addressing the majority of the other recommendations that we made in 2011. For example, it established new and improved criteria for tracking the reasons for accepting and refusing custody and access cases, and was looking more closely into its reasons for refusing cases and into reducing its refusal rates. The Office was in the process of implementing its new CHILD case management system, which would help it capture and report the information it needs to address several of our recommendations. Staff had begun using the case management system and a new agent billing system was scheduled to go live in December 2013.

The status of the actions taken on each of our recommendations at the time of our follow-up was as follows.

INTAKE AND REFERRAL OF CASES

Recommendation 1

To ensure that its intake and referral services make appropriate and timely decisions on whether to accept or reject a custody and access case and whom to assign a personal rights case to, the Office of the Children's Lawyer (Office) should:

- *establish criteria for accepting cases based on the best interests of the children involved and the benefits provided by the Office's involvement, and track these reasons for accepting them—the reasons for refusing cases should also continue to be tracked, but recorded more accurately, including noting when funding limitations affect the decision to refuse a case;*
- *examine the impact on children and the courts of its refusal rate of more than 40% for custody and access cases referred to the Office by the courts;*
- *monitor the number of cases assigned to each in-house lawyer and panel agent, and ensure that higher-than-normal caseloads receive the required authorizations; and*
- *establish recording and reporting systems that allow management to adequately track and monitor the time it takes to accept or reject a custody and access case as well as to assign an*

accepted case, and use this information to identify any systemic reasons for delays.

Status

The Office introduced the first phase of its new case-management system—the Children Information and Legal Database (CHILD)—in October 2012. The second phase, which is to include a portal invoicing system to allow panel agents to bill the Office online, is to be implemented in December 2013. At the time of our follow-up, CHILD was not able to generate reliable reports on case timelines and common reasons that cases were accepted or refused. The Office was modifying CHILD to improve reporting and this work was scheduled to be completed by March 2014. We were advised that, once it becomes fully functioning, CHILD will help address several of our recommendations.

In February 2013, the Office established a new set of 26 criteria for determining acceptance of custody and access cases. The Office also increased the existing 13 criteria it uses for refusing cases to 23. The 23 criteria provide a broader number of reasons why a case may be refused, including when funding limitations are a factor. The Office has also been able to reduce its rates of refusal of new custody and access cases from 41% in 2010/11 to 35% in 2012/13, and reduce the variance of refusal rates among its nine regions throughout the province.

The Office did not act on our recommendation to examine the impact on children and the courts of its then-current refusal rate of more than 40% for custody and access cases referred to the Office by the courts. The Office felt this examination would be time- and resource-intensive and it would be difficult to isolate the impact of the refusal of cases from the many factors that determine the outcomes of children's lives.

The Office has taken steps to track and monitor the number of legal cases assigned to each in-house lawyer and panel agent. The CHILD system generates a report that enables the legal director to view on a weekly basis the number of cases each lawyer is assigned. CHILD provides a warning to Office staff should they attempt to assign new cases to panel agents with more than the set maximum of assigned active files. The Office's policy requires its staff to obtain prior approval from a director to exceed the set maximum. In addition, the Office has retained additional panel agents in certain districts that have historically experienced high caseloads per panel agent.

With these efforts, the Office was able to reduce the number of legal agents carrying more than 50 cases from 15 agents in 2011 to 12 as of June 2013, and the most cases given to any one legal agent was reduced from 123 to 74 over the same period. We were advised that the Office intended to reduce this number even further by the end of the 2013/14 fiscal year. For clinical cases, the Office no longer enforces its policy of requiring clinical agents to be assigned to prepare no more than two Children's Lawyer Reports per month. Instead, it now uses new reports from its CHILD system to regularly monitor that the number of cases assigned to clinical agents is based on their experience, supervision needs, writing skills and promptness in completing assignments. In addition, the Office increased its panel by 35% since 2010/11 to 245 clinical investigators in order to accept more cases, increase agents' availability in certain regions and better manage agents' workloads, particularly so that custody and access cases could be completed in a more timely manner. The Office informed us that it had introduced new measures to expedite senior management decisions on accepting or refusing cases within five days. However, until CHILD system reporting improvements are completed, the Office is unable to determine if it is consistently meeting its 21-day target turnaround time for deciding whether to accept or refuse a case.

To help improve case completion times, the Office's intake processes were changed to obtain earlier consent to gather personal information from and about clients. In addition, it implemented a new procedure that requires a director to review weekly any cases that are not assigned to panel agents to determine if there are delays.

TIMELINESS OF COURT REPORTS

Recommendation 2

To help improve its performance in meeting a regulated 90-day deadline for filing Children's Lawyer Reports with the court, the Office of the Children's Lawyer should establish a formal strategy that addresses the changes needed to its systems and procedures in this area.

Status

As of June 2013, the Office was still unable to generate from its CHILD system reliable reports for management on whether it was consistently meeting the 90-day deadline for filing a Children's Lawyer Report to the courts. It expected system modifications to be made by March 2014 to permit this. The Office has nevertheless developed a formal strategy and action plan to improve its performance in meeting the 90-day deadline and some actions have already been taken. For example, in fall 2012 the Office began issuing interim Children's Lawyer Reports to the courts. Specifically, the interim reports are issued when circumstances prevent parties from engaging in the clinical process or when required additional information or assessments cannot be completed within the 90-day time frame. The interim reports inform the court and parties of the status of the work completed thus far and invite further involvement of the Office at a later date if deemed necessary.

PANEL AGENTS

Recommendation 3

To ensure that it has adequate systems, policies, and procedures for acquiring, reimbursing, and managing its legal and clinical panel agents, the Office of the Children's Lawyer (Office) should:

- *develop a more open empanelment process for lawyers hired for property rights cases similar to the sound process already in place for personal rights panel agents;*
- *further consult with the Ministry of the Attorney General on establishing a process whereby the tariff rates for panel lawyers would be the same as the rates paid by Legal Aid Ontario;*
- *assess whether alternatives may be available to retain appropriate lawyers for property rights work to enable at least some reduction in the current significant premium rates being paid for services billed directly to the estates/trusts or out of settlement funds belonging to the child;*
- *implement better systems and procedures for scrutinizing legal fees, such as post-payment examinations and assessing the reasonableness of invoices, and for paying them within targeted time periods; and*
- *in conjunction with its stakeholders, research and evaluate alternative methods of payment to its panel agents, such as block-fee payments, that would increase financial certainty in payments and reduce administrative processing requirements and costs for the Office.*

Status

The Office told us it could not apply the same empanelment process for selecting and prequalifying lawyers for property rights cases as it does for personal rights cases. The Office said that property rights cases were more varied and it had to find lawyers with suitable expertise and experience in different areas of law, depending on the case. The Office surveyed other jurisdictions across Canada and found that no formal process was used to identify and select panels of lawyers for property rights cases. Instead, the Office recently established a draft plan that outlines the process and criteria for recruiting, selecting and retaining panel lawyers for property rights cases. As of June 2013, the Office was reviewing its current external legal panel against these criteria and was planning to invite additional lawyers to this pre-qualification process in the fall of 2013.

Following our 2010/11 audit, the Ministry approved, retroactive to July 1, 2011, an increase to the tariff rate for panel lawyers to match the rates paid by Legal Aid Ontario to its lawyers. Tariff rate increases for panel lawyers were again approved for the 2012/13 and 2013/14 fiscal years. The Office has requested a tariff rate increase for 2014/15, but there has been no approval for matching Legal Aid Ontario's rates beyond 2013/14, nor has a policy on this been established.

The Office continues to pay property rights lawyers a $350 hourly rate when they bill their services directly to a child's interest in an estate or to settlement funds belonging to the child. The Office compared the rates paid to property rights lawyers with the rates of similar organizations as well as the private sector and its existing external panel lawyers. The Office concluded that the Office's rate was already significantly less than the rates of private lawyers and that it would not be workable to reduce its rate and still maintain the current level of service.

The Office informed us that the implementation of the second phase of CHILD in December 2013 would improve procedures for scrutinizing legal fees because it would enable electronic billing with automated controls and verification. Invoices with additional hours would need pre-approval before they could be put into the system for payment to be processed. This is designed to expedite the payment process and ensure additional fees are pre-approved and reasonable.

As of July 2013, the Office was in discussions with Legal Aid Ontario on several alternative methods of payment, including block-fee payments, which are fixed fees paid for common types of services and which Legal Aid Ontario uses to pay criminal law lawyers for certain services. Legal Aid Ontario was researching the viability of these alternative methods of payment for its family law lawyers. The Office planned to use Legal Aid Ontario's research once it is completed to assess if they would be suitable for the types of legal services provided by the Office.

PROGRAM COSTS

Recommendation 4

To ensure that it has adequate management information on costs for services to enable it to more accurately assess the efficiency of both in-house staff and panel agents over time, the Office of the Children's Lawyer should collect information on the actual costs of completing its different types of cases and other activities. It should also explore opportunities for reducing its costs or enhancing its administrative capacity by collaborating with Ontario Public Sector organizations that do similar legal work in areas like property rights and in fields such as training, quality assurance and empanelment processes.

Status

At the time of our follow-up, the Office was developing a new model to improve its ability to estimate the average cost per each type of case. This would help the Office decide how many new cases it will be able to accept within its funding limitations. The Office planned to test the model at the end of 2013 and was to then decide if it should be incorporated into CHILD. However, the Office had not determined the actual costs for completing different types of cases from beginning to end and had no plans to implement a process to monitor the cost of handling cases in-house and compare it to panel lawyers' costs to assess cost-effectiveness for different types of cases.

The Office has not established any substantial new collaborative arrangements with other Ontario Public Sector organizations to reduce its costs, although it told us that it regularly engages with stakeholders both formally and informally, and that the discussions have influenced efficiencies in some day-to-day operations. For example, between May and October 2012, the Office consulted with various stakeholders both outside and within the public sector, identifying and implementing several recommendations to improve the Office's child protection service delivery and make more efficient use of panel agents' time. Also, the Office informed us that it held informal meetings with Legal Aid Ontario on a regular basis and that the offices often share information on training plans. The Office and Legal Aid Ontario have jointly delivered a training session to lawyers, and further joint training sessions were scheduled for fall 2013.

INFORMATION MANAGEMENT SYSTEMS

Recommendation 5

To ensure that the new case management information system—Children Information and Legal Database (CHILD)—being developed will resolve deficiencies in the system it is replacing and meet current business and user requirements, the Office of the Children's Lawyer, in conjunction with Justice Technology Services (JTS) project managers, should prepare an interim report for senior management comparing the deficiencies of the existing system to the intended functionality of the new system and identify any expected gaps or limitations in CHILD's design. The interim report should also address how the new system will improve safeguards for confidential information and improve data integrity and case file management and controls.

Status

The Office and the Ministry's Justice Technology Services (JTS) Project Team prepared an interim report and gap analysis in October 2011 to describe how CHILD would address existing system deficiencies. The Office informed us that by the end of the 2013/14 fiscal year, once the second phase of CHILD was implemented, the system would meet 94% of the original documented business requirements. Certain desired functions were not part of the original scope of the project, such as tracking the time Office lawyers spend on each case (time-docketing), and other functions required further consideration. As well, the Office conducted a threat risk assessment in May 2012 to ensure that the new system improved data integrity and safeguards for confidential information.

TRANSITION TO ADULTHOOD

Recommendation 6

To help ensure that children's interests continue to be adequately protected when they turn 18 and no longer qualify for the legal services offered by the Office of the Children's Lawyer (Office), the Office should establish processes that include developing and communicating transition plans for each child, including referrals to appropriate support services.

Status

In 2012, the Office established a committee to examine ways it could better support youth it no longer provided services to. As a result, in July 2013 the Office approved and implemented a new policy and procedure on minors turning 18. Lawyers have begun to apply it in ways such as meeting with minors at age 18 to provide information about their cases and resources available to them, and, where litigation will continue past a minor's 18th birthday, retaining an agent who can continue to act for the youth after he or she turns 18. The Office also revised the letter it uses to inform minors who are turning 18 that the Office can no longer provide services to them. The letter was recast in plain language, included definitions of the legal terms it used, and included referrals to other appropriate support services such as the Community Legal Education Ontario website, the Law Society of Upper Canada referral service and the Law Help Ontario website.

QUALITY ASSURANCE AND TRAINING PROGRAMS

Recommendation 7

To ensure that it is reaping the full benefits of in-house training and continuing education requirements for its panel agents and its own staff, the Office of the Children's Lawyer should better document attendance at training and professional development activities so that such activities can be considered in its panel agents' and staff performance evaluations.

Status

The Office revised its agreements with panel agents to include a mandatory training requirement and had begun keeping track of panel agents' and in-house lawyers' attendance at mandatory in-class or online training sessions. Panel agents or in-house lawyers who miss mandatory training sessions are contacted and instructed to attend alternate sessions.

The Office had revised its panel members' 18-month performance evaluation processes to include a consideration of professional development and attendance at mandatory training sessions. We were advised that annual in-house staff evaluations continue to include an assessment of professional development activities undertaken.

MEASURING PERFORMANCE

Recommendation 8

To help assess whether it is efficiently and effectively meeting the needs of its clients and stakeholders, the Office of the Children's Lawyer should continue to develop and report key performance indicators that are clearly defined and objectively measured, establish realistic targets, and measure and report on its success in meeting such targets. It should also implement a more formal process of obtaining periodic feedback from stakeholders, such as its child clients and the judiciary.

Status

The Office developed a revised set of key performance indicators that it expected would be implemented by the end of the fiscal year when the new CHILD system becomes fully functional and is able to capture and report on the necessary information. The indicators were aligned with key operating goals and strategies of the Office and covered four key areas: processes, people, financials and clients/stakeholders.

The Office advised us that plans were in place as of June 2013 to develop by the end of 2013 a formal stakeholder consultation strategy that would include addressing how youth engagement feedback will be obtained. The Office also informed us that it was continuing its practice of having regular informal discussions with the judiciary across Ontario on improving court processes and making them more efficient. For example, feedback from the judiciary resulted in changes to the intake forms that parties complete and to the standard form orders completed by judges. In 2012, the Office engaged in 24 consultations with a variety of stakeholders, such as school boards, family justice organizations, children's aid societies and law associations, to inform them of the duties of the Office and to provide opportunities for them to give feedback.

Chapter 4

Section

4.11 Ontario Trillium Foundation

Follow-up to VFM Section 3.11, *2011 Annual Report*

Background

The Ontario Trillium Foundation (Foundation) was established in 1982 as an agency of the Ontario government. Its mission is to build "healthy and vibrant communities throughout Ontario by strengthening the capacity of the voluntary sector, through investments in community-based initiatives."

In the 2012/13 fiscal year, the Foundation distributed over 1,300 grants (about 1,500 in 2010/11) totalling more than $116 million ($110 million in 2010/11) to not-for-profit and charitable organizations working in the areas of human and social services, arts and culture, environment, and sports and recreation. Most of the grant money pays for salaries and wages of people working in these organizations.

The agency has a volunteer board of directors and about 120 full-time staff located at its Toronto head office and 16 regional offices. In addition, more than 300 volunteers may be named to grant review teams across the province—18 to 24 volunteers on each team—to vote on which projects or organizations should be funded.

In our *2011 Annual Report*, we noted:

- One of the Foundation's main responsibilities is to give out its allocation of more than $100 million each year to community not-for-profit and charitable organizations. A wide range of projects can be funded, as long as they support the local community and relate to the areas listed above. The determination of value for money received for each grant may well be in the eye of the beholder, and it is within this context that the Foundation operates.
- Although the Foundation has a well-defined grant application and review process for deciding which applicants receive grants, the underlying process and resulting documentation often did not demonstrate that the most worthy projects were funded for reasonable amounts. This was due to the fact that there was often little documentation available to demonstrate that the Foundation objectively compared the relative merits of different proposals, adequately assessed the reasonableness of the grant amounts requested and approved, and effectively monitored and assessed spending by recipients.
- Many of the grant recipients we visited could not substantiate expenditure and performance information they reported to the Foundation.
- We felt the Foundation's website was comprehensive and informative. However, the Foundation could do more to inform community organizations about the availability of grants

and about the application process. It could, for example, consider advertising in local and ethnic-community newspapers.

- Although the Foundation's administrative expenditures are relatively modest compared to most other government agencies we have audited, it nevertheless needs to tighten up certain of its administrative procedures to ensure that it complies with the government's procurement and employee-expense guidelines.

We made a number of recommendations for improvement and received commitments from the Foundation that it would take action to address our concerns.

Status of Actions Taken on Recommendations

We concluded that the Foundation had made substantial progress on most of our recommendations. For example, the Foundation developed a new corporate strategy with new performance measurement indicators and targets; expanded its promotional activities; and developed new approaches to grant monitoring, including more site visits to grant recipients. It also strengthened its conflict-of-interest guidance and monitoring. At the time of our follow-up, work remained to be done to fully implement improved goods and services procurement practices, and to complete an assessment tool to help staff review the reasonableness of grant requests.

The status of the actions taken on each of our recommendations was as follows.

GRANT PROMOTION

Recommendation 1

To ensure that all qualified organizations get a fair chance to learn about and apply for its grants, the Ontario Trillium Foundation should:

- *publicly advertise information about its grants, application deadlines, and its website; and*
- *investigate ways to reduce or eliminate perceived or real conflicts of interest by ensuring that the people who encourage organizations to apply for grants are not the ones who subsequently help select which applications will be funded.*

Status

In our *2011 Annual Report*, we noted that the Foundation did not publicly advertise the availability of grants, and, as a result, there was little assurance that all eligible organizations were aware of the Foundation and its programs. We also noted that the solicitation of applications by staff and Foundation volunteers raised issues of potential conflict of interest, as these same staff later reviewed applications to determine who got funded.

With respect to publicity, the Foundation established a new outreach and promotion target as part of its performance measurement process. Achievement of this target is measured by the ratio of applications submitted to the number of applications granted. In an effort to increase this ratio, the Foundation purchased Google ads for several one-month periods prior to grant application deadlines to direct visitors to the Foundation's website. This resulted in more than 1,000 "click-throughs" from Google to the Foundation site in each of the months of January, February and October 2012, and more than 1,000 again in February 2013. The Foundation also developed a brochure that provided information about its new strategic framework and sector priorities, and directed interested parties to its website and staff. At the time of our follow-up, 8,000 copies of the brochure had been produced and distributed amongst staff in the 16 catchment areas for use in their outreach activities. The Foundation identified low-demand areas in the province and initiated outreach and communications activities in those areas, including placing advertisements in local media.

The Foundation planned to continue placing strategic advertisements across the province prior to grant deadline dates in 2013/14. It also planned to research and pilot-test related initiatives, such as publishing electronic newsletters and increasing its presence on social media such as Facebook, LinkedIn and Twitter.

With respect to conflict of interest, the Foundation put in place a new process to ensure that its representatives who encouraged organizations to apply for grants were no longer the ones who subsequently helped select which applications would be funded. A new application assessment process developed in 2012 codified this separation and reinforced distinct roles for staff and volunteers by stipulating that volunteer grant review teams were responsible for determining which applications would be approved, while staff, who conduct all outreach and promotion activity, would act only as advisers to these teams.

The Foundation further developed a questions-and-answers document and distributed it to staff and volunteers to provide guidance on conflict-of-interest issues. As well, all board members, staff and volunteers had recently completed training on the new conflict-of-interest requirements.

GRANT REVIEW AND APPROVAL PROCESS

Recommendation 2

To help ensure that grant decisions are objective and supportable, the Ontario Trillium Foundation should:

- *make sure each of its regional offices completes the 15-point questionnaire and uses it to assess and prioritize grant applications;*
- *develop consistent guidelines, policies, and procedures for staff and grant-review teams to follow when assessing grant applications, and make sure any required site visits are conducted; and*
- *maintain documentation that provides a basis for comparing one project to another to clearly demonstrate why some projects were funded and others not.*

Status

In our *2011 Annual Report*, we noted that although regional offices were required to complete a 15-question first review for each application that passed an initial technical review, many of the case files we reviewed contained no evidence that this had been done. Even when the review was on file, it was improperly completed in half of the cases reviewed. We further noted that five of the eight offices we visited did not use the total score from the first review to rank projects, as intended by the procedure. In the three that did, there were unexplained instances of lower-ranked projects advancing in the process while higher-ranked projects did not. We also found the due-diligence work completed on applications and the documentation of this work was often inadequate and varied significantly, and in some cases the required site visits were either poorly documented or not done at all. There was also no comparative documentation to indicate why some projects were recommended for funding while others were not.

At the time of our follow-up, the Foundation informed us that in early 2013 it had implemented a new application assessment process, aligned with its new strategic framework, to ensure that granting decisions are based on a more objective and rigorous process. The new process addresses eligibility, sector impact, community impact, feasibility assessments, internal review meetings and documentation requirements. To improve transparency, the new process provides a basis for comparing one project to another and required documentation as to why applications were either funded or declined. Finally, it indicates those steps that are to be completed with the help of volunteers and those that are not.

The new application assessment process is supported by an online grants management system that staff use to:

- enter scores against each assessment criterion;
- automate certain calculations, such as the leverage ratio of money potentially raised from other sources; and
- produce reports ranking applications by score for both the first and second review meeting, and summaries for each application.

REASONABLENESS OF AMOUNTS APPROVED

Recommendation 3

To help ensure that grant amounts are reasonable and commensurate with the value of goods and services to be received, the Ontario Trillium Foundation should:

- *assess and adequately document the reasonableness of the specific services or deliverables organizations say they will provide with the money they are requesting; and*
- *objectively assess the required work effort or other resources needed to meet the stated objectives of the grant application.*

Status

In our *2011 Annual Report,* we noted that although the biggest component of many funded projects was salaries and fees, grant files often did not contain the appropriate information needed from applicants to assess the reasonableness of these proposed costs. We also were often unable to determine whether the grant amounts were commensurate with the services to be provided. We also found a number of cases where there was no evidence that grant recipients had obtained the competitive bids required when buying items that cost more than $5,000.

At the time of our follow-up, the Foundation informed us it used a three-pronged approach to ensure funding is reasonable. First, in cases where grants have been previously given to an organization, program managers can assess the new submitted proposal by comparing it with the prior grants. Second, as they did even at the time of our audit, grant review teams made up of community members have the authority to question and reject unreasonable amounts requested, and they often do so. Third, the Foundation had initiated a project to collect external validation data for goods and services that were frequently funded (for example, salaries for various positions, consultant fees for common projects and information technology hardware costs). A working group compiling this data was planning to incorporate the information it gathered into the development of an assessment tool for staff use. The Foundation planned to have this tool available by fall 2013.

We were informed that the lead reviewer and the program manager, in consultation with the grantee, now conduct an assessment of the resources required to meet the objectives of the grant based on the specific expected outcomes or the grant activities. In this assessment, staff and volunteers use their knowledge and experience and the database of previous grants.

GRANT MONITORING

Recommendation 4

The Ontario Trillium Foundation should strengthen its monitoring efforts to help ensure that funds are used for their intended purpose, and that reported purchases were actually made, by:

- *implementing periodic quality assurance reviews of grant files to ensure compliance with internal policies and requirements, and assessing the appropriateness of decisions made by granting staff;*
- *expanding on the process undertaken by the contracted individual to include more thorough reviews of granting information;*
- *requiring organizations to submit sufficiently detailed information to enable the Foundation*

to assess the reasonableness of the amounts spent;

- *conducting more audits of progress and final reports submitted by grant recipients; and*
- *conducting site visits, where applicable, to see how grant money was spent.*

Status

In our *2011 Annual Report*, we noted that although grant recipients were required to submit annual progress reports on how they used provided funds, the process was inadequate for ensuring that money was spent on its intended purpose. For example, we noted that in a number of cases there was insufficient detail in the reports to enable assessment of the reasonableness of amounts spent or whether, in fact, organizations were simply reporting the original budget amounts as the amounts eventually spent. The Foundation also rarely requested invoices or other documentation to substantiate reported expenditures. As well, recipients were not required to substantiate performance information they provided to the Foundation, progress reports submitted by grant recipients were often late and there was often inadequate evidence of questioning by Foundation staff about those reports. Furthermore, few site visits were made to directly assess the use of Foundation funds. Our site visits identified a number of instances where grant spending was inadequately documented by recipients, where amounts spent appeared excessive, or where funds were used for purposes other than those approved.

At the time of our follow-up, the Foundation had introduced an enhanced audit plan for 2012/13 that included more audits of progress and final reports, more thorough reviews of granting information, and site visits to grant recipients on a pilot-program basis. A total of 70 grants were subject to a new audit process, and the consultant conducting the audits concluded in a report to senior staff and the board that, although some exceptions were noted, the "vast majority" of grant recipients had spent Foundation money appropriately. The consultant made a number of recommendations, and in response to these the Foundation said it had:

- developed a risk-assessment tool to assess the degree and type of monitoring required for each grant, to be used for all applications;
- placed a renewed emphasis on site visits for higher-risk grants; and
- refined a model for monitoring grant recipients' progress against expected results as part of the Foundation's new performance measurement framework.

The Foundation further informed us it had restructured its organization to allocate part of its operating budget to support a new monitoring function and was in the process of developing a Quality Assurance Unit that would be responsible for monitoring grant recipient expenditures, ensuring compliance with grant conditions and internal audits. The Foundation said its performance scorecard also included several new compliance targets, including a target percentage of grant recipients to be audited.

The Foundation told us that it now more often evaluates the reasonableness of grant recipients' spending, doing so both at the interim-progress-report stage and when the funded project is completed. If it needs to, it requests more information. The most comprehensive review is at the end of the grant process, when the total amount spent, as well as the achievements accomplished with the grant, are reported on. Staff assess these achievements and whether value for money was received. In cases where adequate value does not appear to have been received, the reasons are explored with the grant recipient, and next steps, such as requesting further supporting documents or using the assessment to inform future grant decisions, are taken.

PERFORMANCE MEASURES

Recommendation 5

To help assess whether the Ontario Trillium Foundation (Foundation) is meeting its stated objectives, and *to help identify in a timely manner those areas needing improvements, the Foundation should:*

- *establish meaningful operational indicators and realistic targets, and measure and publicly report on its success in meeting such targets; and*
- *substantiate, at least on a sample basis, the information obtained from grant recipients that is used to evaluate success in meeting targets.*

Status

In our *2011 Annual Report*, we noted that while the Foundation had developed a set of performance measures for assessing its performance and providing information to the public, these measures were insufficient for assessing the Foundation's success in meeting its objective of funding worthy projects in the right amounts or for identifying internal operational areas in need of improvement. Our evaluation of the measures that were in place noted that they were too broad to yield meaningful assessments.

At the time of our follow-up, the Foundation informed us that as part of its new strategy it had enhanced its approach to measuring the impact of its grants by developing an enterprise-wide "balanced scorecard" to monitor performance, based on a review of international best practices for granting organizations. The scorecard established indicators for measuring both the organizational performance of the Foundation as well as the performance of grant recipients. New performance targets were included in the Foundation's January 2013 business plan, and each board meeting is now to include time for a discussion on these targets and indicators to ensure accountability. The Foundation said it was aiming to complete development of new sub-indicators for this performance management system in 2013/14, and the new Quality Assurance Unit would be substantiating grant recipients' success on a sample basis.

GOODS AND SERVICES PROCUREMENT

Recommendation 6

To help ensure that the Ontario Trillium Foundation (Foundation) follows the government's directives on the acquisition of goods and services, as well as travel, meal, and hospitality expenses, the Foundation should reinforce with staff the need to comply with the directives, and consider having the Ministry of Finance's Internal Audit Division periodically review compliance and report the results of such reviews to the Foundation's Board.

Status

In our *2011 Annual Report*, we noted that although Foundation staff appeared to have an institutional mindset that emphasized cost containment, about half of a sample of consulting and goods-and-services acquisitions that we reviewed and that required a competitive selection process were instead single-sourced with inadequate documentation justifying this single-source decision. Further, about one-quarter of these contracts were not approved at the appropriate management level. We also noted for some employee claims for travel, meals and hospitality a lack of detailed information supporting the amounts claimed and proving that they were business-related.

At the time of our follow-up, the Foundation had developed enhanced and clearer guidelines for procurement and travel expenses. New travel expense policies were finalized and communicated to staff in January 2012 and new procurement policies approved and distributed in February 2012. A procurement specialist had been hired for a six-month period to further review and strengthen procurement practices and continue to refine its guidelines and procedures in this area. The Foundation said it expected to finish its work addressing this recommendation by fall 2014.

OTHER MATTER

Conflict-of-interest Declarations

Recommendation 7

To help ensure that its conflict-of-interest policy is effectively enforced, the Ontario Trillium Foundation (Foundation) should more effectively oversee and monitor compliance with its conflict-of-interest policy by staff, members of the board of directors, and grant-review team members. It should also require them to update or renew their conflict-of-interest declarations annually, and include a listing of individuals and organizations with whom they have a potential conflict of interest.

Status

In our *2011 Annual Report*, we noted that while Foundation staff and volunteers were required to sign conflict-of-interest declarations and agree in writing to comply with the Foundation's conflict-of-interest policy, they were not required to identify people or organizations with whom they may have a potential conflict of interest, nor were they required to periodically update or renew these declarations. Also, some conflict-of-interest declarations could not be located.

In its response to our report, the Foundation indicated it had instituted the annual signing of conflict-of-interest declarations, and would investigate best practices in relation to the creation and maintenance of a list of organizations with which individuals had a potential conflict of interest.

At the time of our follow-up, the Foundation had adopted the *Public Service of Ontario Act*'s Conflict of Interest Policy. It had also developed a question-and-answer guidance document, which used real-world examples of complex potential conflict situations in the context of the Foundation's work. It intended to revise the document as staff knowledge of and experience with conflict issues grew. The Foundation said new declaration forms had also been developed and completed by all staff, volunteers and board members, and a process had been put in place for annually updating them. In addition, declarations of conflict of interest were made standing items on the agendas of the board and grant review team. In early 2013, members of the senior management team and board members attended grant review team meetings to deliver training on the new policy and facilitate a discussion on compliance. As well, conflict-of-interest training was incorporated into a new board, staff and volunteer orientation process.

The Foundation now provides program managers with a summary report that includes the declared conflicts of interest from the annual declarations for each of the volunteers on their grant-review team or committee. Program managers can then direct specific applications to volunteers without conflicts on those files.

Chapter 4 Section 4.12

Ministry of Training, Colleges and Universities

Private Career Colleges

Follow-up to VFM Section 3.12, *2011 Annual Report*

Background

Private career colleges are independent organizations that offer certificate and diploma programs in fields such as business, health services and information technology. They often cater to adult students who need specific job skills to join the workforce or become more competitive in the job market. As of January 2013, there were 427 registered private career colleges in Ontario (about 470 in 2010/11) serving approximately 67,800 students (60,000 in 2010/11).

The Ministry of Training, Colleges and Universities (Ministry) administers the *Private Career Colleges Act, 2005* (Act). The Act focuses on protecting the rights of students. Through the Training Completion Assurance Fund, the Act also provides students with the right to complete their training at another institution or receive a refund if the private career college they are attending ceases operations.

Although the Ministry does not fund private career colleges directly, it provides significant funding to the sector through its employment training and student assistance programs. Over the past three fiscal years (2010/11 through 2012/13), a total of approximately $191 million was provided through the Ministry's Second Career Program for almost 24,000 students to pay for their tuition to attend private career colleges ($122 million in 2007/08 through 2009/10, for 13,000 students). In addition, in the last three academic years (2010/11 through 2012/13), almost $200 million in provincial loans and grants was provided to an annual average of 13,500 students through the Ministry's Ontario Student Assistance Program ($200 million in 2007/08 through 2009/10, for an average of 9,500 students).

At the time of our audit in 2011, the Ministry had undertaken a number of good initiatives to improve its oversight of private career colleges and strengthen protection for students. However, further improvements were needed to ensure compliance with the Act, its regulations and ministry policies, and to protect students. The following were some of our more significant observations:

- Although it had taken steps to identify and act on unregistered colleges, the Ministry could have made better use of information it already had on hand to identify colleges that continued to operate illegally. For example, the Ministry did not routinely check to see that schools that had been closed remained closed. We reviewed a sample of schools that had been closed and found that a number appeared to be offering courses.
- In 2006, the Ministry stopped collecting information on graduation rates and employment upon graduation for private career colleges, something it does for public colleges. More than 85% of the private career college graduates who responded to our survey said that such student outcome data would have been

useful in helping them with their choice of college and courses.

- The Ministry did not have adequate processes in place for assessing the financial viability of colleges when they sought to renew their annual registration. One college with significant losses had its registration renewed without any evidence that its financial viability had been reviewed. The college subsequently closed, costing the Training Completion Assurance Fund more than $800,000.
- The Ministry can enter and inspect the premises of a registered private career college or an unregistered institution that should be registered. Although a risk assessment done by the Ministry identified 180 private career college campuses with multiple compliance risk factors, the Ministry could not demonstrate that it had done enough inspections to manage the risk of non-compliance with the Act and its regulations. During the 2010/11 fiscal year, there were approximately 470 registered private career colleges with 650 campuses in Ontario, but the Ministry estimated that only 30 campuses had been inspected in 2010.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Actions Taken on Recommendations

According to information provided by the Ministry, substantial progress has been made on implementing many of the recommendations in our *2011 Annual Report*. For example, the Ministry now requires all private career colleges to annually submit audited financial statements. Information from these statements and other sources helps the Ministry to assess the financial and business risks for each private career college based on benchmarks developed for schools offering similar programs. This assessment highlights risk areas that may need to be addressed before new colleges are registered or during the annual registration process for existing colleges, and helps prioritize private career colleges for inspection purposes. We were informed that the Ministry completed inspections of all schools deemed to be high risk, and all medium-risk schools were to be inspected within the first half of 2013. Consequently, the Ministry substantially achieved its goal of processing vocational program applications within six months, an improvement since 2011 when almost one-third of applications had been outstanding for more than six months. A new information system planned for implementation in the 2014/15 fiscal year will further improve program administration.

The status of actions taken on each of our recommendations is described in the following sections.

UNREGISTERED PRIVATE TRAINING INSTITUTIONS

Recommendation 1

To enhance protection for current and prospective students of private career colleges, the Ministry of Training, Colleges and Universities (Ministry) should:

- *use the information at its disposal to proactively identify possible unregistered private training institutions offering or advertising unapproved vocational programs and establish a targeted time frame for completing investigations; and*
- *consider establishing standardized follow-up procedures and timelines to ensure that the unregistered institutions against which it has previously taken enforcement action continue to comply with the Ministry's requirements.*

Status

The Ministry informed us that it has reviewed all vocational program pre-screening applications received from 2007 to 2011 to determine if any unapproved vocational programs were being offered and has taken enforcement action where necessary. In the future it intends to review all pre-screening applications from the previous year during the first quarter of the subsequent year to ensure that schools are not contravening the Act. Also, the Ministry indicated that since 2011 it has been proactively identifying possible unregistered institutions and unapproved vocational programs by surveying available media, including the Internet, and investigating suspected non-compliance identified by students or registered institutions.

The Ministry has developed a risk-based framework to prioritize investigations of unapproved vocational programs being advertised and/or delivered whether by unregistered or registered private career colleges. Investigations are categorized into one of three levels: high-risk (involving student or public safety issues, such as training for truck drivers and dental hygienists), complex (requiring investigation jointly with other agencies, or forensic examinations of computer files or student and financial records), and basic (involving schools advertising or offering unapproved vocational programs). The Ministry has informed us that it refines best practices for each level on an ongoing basis and has incorporated them into its investigation manual.

The Ministry has introduced protocols to track all unregistered institutions against which it had previously taken enforcement action. A one-time review of all such private career colleges was undertaken in 2011 to ensure that these businesses were not engaged in any new activity that contravened the Act. In 2012, this one-time review was replaced with a standardized review process for all enforcement files. Institutions that are the subject of enforcement action will be required to confirm in writing that they are in compliance with the Act. The investigator will then conduct a website check, site visit or other check to verify within 30 days that the institution is in compliance. Investigators will keep the enforcement file open and conduct a secondary review to confirm that the institution is still complying with the Act. The file will be closed only if this later review determines that the institution is in full compliance with the Act.

PERFORMANCE MEASURES

Recommendation 2

To help prospective students make informed decisions on which private career college and which program to enrol in, the Ministry of Training, Colleges and Universities (Ministry) should collect, validate, and publish student outcome data such as information on graduation rates and employment in their field of study. In addition, the Ministry should use these data to assist in its oversight of the private career college sector.

Status

The Ministry engaged a consultant to undertake a review of the performance indicator process that was used before 2006, when the Ministry put a moratorium on the collection of private career college data. After consulting with private career colleges, current and former students and other stakeholders, the consultant recommended collecting and reporting a number of performance measures. As a result, the Ministry adopted a number of Key Performance Indicators for the sector: graduation rate, graduate employment rate, graduate employment rate in the field of study, graduate satisfaction and employer satisfaction. The Ministry indicated that these performance indicators are comparable to those reported by the public college sector.

In November 2012, the Ministry posted a request for proposal for services to conduct and report on a graduate outcomes survey, an employer satisfaction survey and other graduate outcomes of Ontario's public and private career colleges. Since that time, the Ministry has worked with the consultant, an internal working group and a sector advisory group to finalize survey materials and collection methodology. The performance-reporting process commenced in July 2013 with private career colleges approved under the Ontario Student Assistance Program (OSAP) for graduates of 2013.

In this first year of implementation, the Ministry intends to report on three indicators (graduate rate, graduation employment rate and graduate employment rate in the field of study) for OSAP-approved private career colleges.

The Ministry also noted that the existing Registration Information for Career Colleges system has undergone a number of upgrades and has reached its functional capacity. The cost of maintaining this vendor-owned system has become significant. Due to the need for a system that can support enhanced regulatory oversight and reporting, quality assurance, and key performance indicators, the Ministry has begun to develop the new government-owned Program Approval and Registration Information System (PARIS). PARIS is being designed to enhance the Ministry's ability to track program applications and help improve turnaround times for registration and program approval. The new system is expected to let key electronic data be linked to each college's record and help eliminate manual tracking, and to highlight errors and incomplete program applications. The Ministry plans to implement the new system during the 2014/15 fiscal year.

REGISTRATION

Recommendation 3

To safeguard government funding provided to students and the money in the Training Completion Assurance Fund as well as to enhance the protection offered to prospective students of private career colleges, the Ministry of Training, Colleges and Universities should:

- *ensure that its review of applications for private career college registrations is initiated on a timely basis and includes an appropriate assessment of the applicant's forecast financial information, and checks on the applicant's references, credit, and criminal record;*
- *maintain a record of rejected applications to facilitate management follow-up to ensure that rejected institutions do not subsequently operate in contravention of the* Private Career Colleges Act, 2005*; and*
- *ensure the timely review of applications for registration renewal, including an adequate assessment of financial and other application information.*

Status

The Ministry is now more rigorously assessing new applicants to run private career colleges, including both start-up colleges and prospective purchasers of existing colleges. For example, applicants are asked for business plans in addition to the routine information previously required for registration. As well, applicants are required to provide pro forma financial statements prepared by a licensed public accountant, a level of additional scrutiny that often brings to light risks that could affect the protection students are given, including a school's financial viability.

The Ministry has also developed and implemented a private career college capacity assessment to assess an institution's financial and business risks. It has developed benchmarks for various subdivisions of the private career college sector (schools offering similar programs) based on financial indicators gathered from audited financial statements of all private career colleges. These benchmarks are to be updated annually and used during the financial review portion of the capacity assessment. The assessment for new applicants includes:

- a credit check to assess each applicant's financial viability;
- a comparison of applicants' financial positions with the expected initial cash flow required to operate a new college;
- an Ontario Business Information System search to ensure the accuracy of corporate information supplied by new applicants; and
- a review of ministry records related to each applicant to ensure there is no history of non-compliance.

Where risks are identified, applicants are invited to meet with ministry management to develop mitigation strategies such as limited program approval periods and conditions of registration (e.g., additional reporting requirements, increased financial security). Beginning in 2013, as part of this new process, the Superintendent of Private Career Colleges will meet with new applicants for registration on a selective basis to clearly articulate ministry expectations on compliance. The Superintendent may implement further conditions on a school's initial registration to mitigate student risk.

In 2012, the Ministry developed operational policies and benchmarks to assist with meeting service timelines for the initial review of registration applications of new private career colleges. During the 2012/13 fiscal year, the Ministry approved 18 new private career colleges and 13 new campuses. Over the last year, many private career colleges that have had difficulty submitting complete applications for registration have been offered tutorials with ministry management, because the Ministry's ability to meet its service commitments is directly related to the quality of the applications received. The Ministry plans to continue working with applicants to improve the quality of submitted registration applications.

Since February 1, 2011, the Ministry has been tracking and periodically following up on refused, rejected and abandoned applications for new private career colleges and campuses to ensure that they are not operating in contravention of the Act and its regulations. It has started to perform a similar review of all private career colleges that had cancelled their registration during the previous year.

The Ministry now requires registered private career colleges to provide audited financial statements to allow it to highlight high-risk institutions. The Ministry is also using the new capacity assessment process to assess the financial and business risk of each private career college at the time its registration is renewed. When a private career college is deemed to be a high risk, the Ministry works with the institution to develop risk-mitigation strategies. These strategies often include conditions on registration such as more frequent enrolment reporting, preparation of business plans and increased financial security.

To enhance transparency and the protections offered to students of private career colleges through the Training Completion Assurance Fund, the Ministry engaged a licensed public accountant to audit the 2011 financial statements of the Fund. The Ministry publicly released the audited statements in September 2012, which showed a balance of almost $10.5 million as at December 31, 2011, and intends to have the Fund audited annually. In addition, in November 2012, the Ministry released the results of a satisfaction survey of students affected by a school closure and financially protected by the Fund. The survey indicated that 74% of students affected by a closure were satisfied with the administration of the Fund and that students were generally satisfied with services provided by the Ministry and by the institution at which they completed their training.

PROGRAM APPROVAL

Recommendation 4

To enhance the quality of private career college programs and to ensure that all programs, regardless of which college is offering them, provide the skills and knowledge currently necessary to obtain employment in the prescribed vocation, the Ministry of Training, Colleges and Universities should:

- *review the processes in place to assess the qualifications and independence of the general third-party program assessors that provide recommendations for program approval;*
- *maintain a record of rejected program applications and consider implementing follow-up procedures to ensure that such programs are not offered despite their not being approved;*
- *build on the progress made to date in improving the timeliness of the program approval process and develop a plan for program re-approvals; and*

- *enhance its system so that it can provide the information needed to effectively manage the program approval process.*

Status

In September 2010 the Ministry enhanced its quality assurance processes by requiring every new vocational program to receive a favourable assessment from both an adult education expert and a program subject-matter expert. The Ministry has also improved the third-party program evaluation process by redesigning ministry forms and information materials as well as standardizing the process for validating assessors' credentials with regulatory institutions. The Ministry now tracks those assessors for future reference and evaluation.

In 2010, recognizing that incomplete program applications need significantly more time to process and can result in approval delays, the Ministry launched a series of communications to inform private career college administrators of common issues related to incomplete applications. The Ministry also contacted private career colleges to inquire about the status of incomplete program applications. As a result, many of these applications were withdrawn. Incomplete submissions account for the majority of program applications that have not yet been processed. Also, since February 1, 2011, the Ministry has been tracking refused or rejected program applications as part of its ongoing monitoring and will continue to do so in future inspections to ensure that these programs are not being offered in contravention of the Act.

During the 2012/13 fiscal year, the Ministry approved 570 program applications. The majority of unresolved applications had been outstanding for less than six months. Consequently, the Ministry has substantially achieved its goal that no program application would await review for more than six months. The Ministry has developed new common standards for certain programs and has required all private career colleges offering those programs to resubmit applications for review to ensure their programs comply with the new standards. In addition to mandatory updates resulting from changes to the standards, the Ministry indicated that it would explore options for re-approving existing programs in time to submit recommendations in September 2013 for legislative review.

LEGISLATIVE COMPLIANCE

Recommendation 5

To enhance the level of compliance with the Private Career Colleges Act, 2005 *and its regulations, and to provide better protection to students and prospective students of private career colleges, the Ministry of Training, Colleges and Universities should:*

- *undertake enough inspections to adequately manage the risk of non-compliance;*
- *clarify the focus and extent of testing that inspectors should perform during the course of an inspection of a college;*
- *implement appropriate management oversight procedures to enhance the quality and consistency of college inspections; and*
- *aggregate and analyze inspection results to identify trends and systemic issues that warrant further attention.*

Status

In 2011, the Ministry assessed all registered private career colleges for inspection against a risk management framework and ranked each school as a high, medium or low risk. All high-risk schools were inspected. The Ministry informed us that all medium-risk schools were inspected in the first half of 2013. The Ministry stated that in the future it would ensure that all high-risk schools are inspected within three months of being identified as such and that all medium-risk schools are inspected within 24 months of being identified. The Ministry also indicated that it will implement a system in the 2014/15 to 2015/16 fiscal years to prioritize low- and medium-risk schools for inspection. The Ministry also noted that the new capacity assessment process would ensure that each private career college has its financial and business risks reassessed when it renews its annual registration.

The Ministry developed a new pre- and post-inspection checklist to spell out the extent of testing that inspectors should perform. To clarify the focus and extent of the testing, the Ministry stated that inspectors now meet weekly with management to review recent inspection reports and discuss any actions required.

The Ministry indicated that it developed a basic case management program to track current investigations and to archive closed files in a searchable database. The Ministry is adapting this program to generate reports to track all investigations. Enforcement staff have participated in the development of the PARIS system to help ensure that it will enhance oversight by linking key electronic data, such as administrative penalties and conditions of registration, directly to each college's record. The Ministry expects that the efficiencies provided by the new system will enable its staff to focus more of their efforts on compliance and enforcement, as well as on general oversight and student protection.

The Ministry has developed a new database to track compliance trends and identify systemic issues that warrant further attention. The database facilitates management review of inspection reports and relevant inspection details. Trend reports are to be used to address common compliance issues and inform the legislative review.

STUDENT COMPLAINTS

Recommendation 6

To help ensure that the protections offered by legislation to students of private career colleges are effective and to enhance management's ability to oversee the complaints process, the Ministry of Training, Colleges and Universities (Ministry) should:

- *establish target time frames for resolving complaints and for receipt from colleges of the information necessary to address complaints;*
- *analyze complaints to identify possible issues or trends that may require more focused action; and*
- *more effectively communicate to students that they are entitled to escalate unresolved complaints to the Ministry.*

Status

The Ministry receives complaints from sources including students and the general public. When students have not gone through their college's internal complaints process, they are directed back to the college. When a student complaint is submitted after the student has gone through the college's complaints process, the Ministry informed us that an initial acknowledgement is now sent to the student within four business days. The Ministry contacts the college regarding the complaint and requests a response, including relevant documentation, to be submitted within 15 business days. Once the Ministry receives the college's response, it determines whether the evidence shows that the Act has been violated. If it does, the Ministry notifies the student and instructs the college to take corrective action. If the evidence does not show a violation of the Act, the student and the college are notified, and the student may be provided with contact information to take further action, if appropriate, such as pursuing the matter in small claims court or with the Ministry of Consumer Services. Approximately 40% of student complaints that have gone through private career colleges' complaint processes cannot be addressed under the Act. The Ministry informed us that it has developed a formal protocol for addressing student complaints and expects this protocol to be in place by the end of 2013.

The Ministry has established a student complaints tracking process to help identify trends and issues that may require follow-up. This tracking process has been put into a database (similar to that used to track inspections) that has been in use since April 2013. The Ministry noted that student complaints that reveal non-compliance at a private career college are one of the risk factors now used in its new risk-management framework for inspections.

As a condition of registration, each private career college is required to provide every student with a copy of the school's student complaints procedure, its expulsion policy and the regulation outlining refund policies. The student complaints procedure must outline the personnel students can contact to file a complaint, the manner in which complaints should be submitted and the process the college follows in dealing with student complaints. As well, every student must be given the Ministry's "Statement of Students' Rights and Responsibilities," which further outlines the steps a student can take in filing a complaint, including filing a complaint with the Ministry.

The Ministry indicated that it would continue to partner with the private career college sector and with other consumer protection institutions to ensure that students are provided with consistent and accurate information on the protections afforded to them under the Act. Also, the Ministry obtains information from agencies and regulatory bodies at all levels of government, including units within the Ontario government, federal government agencies and student-funding agencies, to identify student-protection issues such as concerns about program quality and equipment used in courses.

The Ontario Public Service has been working on the development of a new website intended to facilitate public access to such information. The new website is intended to outline the student complaint process at private career colleges, including how to submit complaints to the Ministry, if necessary. We were told that this initiative would be implemented in phases throughout 2013 and onwards.

PUBLIC AWARENESS

Recommendation 7

To enhance protection offered to students and prospective students, and to ensure that the private career college sector is not unfairly affected, the Ministry of Training, Colleges and Universities should:

- *periodically evaluate the effectiveness of its communication strategy to identify opportunities for improvement in helping students choose the private career college and programs that best meet their vocational goals; and*
- *work with private career colleges and their associations to ensure that student-oriented communications are user friendly and communicate in a fair and transparent manner the protections offered to students who attend registered colleges and programs.*

Status

The Ministry stated that it continues to review its communications and consultation strategy to ensure that all stakeholders are informed of upcoming initiatives and new or changing regulatory requirements. The Ministry has implemented regular quarterly sector updates from the Superintendent of Private Career Colleges to better disseminate information to the sector. The Ministry also indicated that outputs from the new system (PARIS) would provide information on Key Performance Indicators to the public, including students, their families and employers, so that students can make informed decisions when choosing a program.

The Ministry stated that it would continue to work with private career colleges and their associations to ensure that information for students is easy to find and helps them understand the protections afforded to them under the Act. In August 2011, the Ministry partnered with the largest sector association to complete a number of enhancements to the Ministry's public website. Also, to promote student awareness of the standards required of some higher-risk vocational programs, the Ministry has posted its vocational program standards on its public website. The Ontario Public Service website under development is being designed to bundle ministry content by theme and audience to better capture initiatives that concern more than one ministry. The new website is intended to allow private career colleges, students and other sector stakeholders to more easily access the information they require in a timely manner.

Chapter 4 **Ministry of Education**

Section 4.13 Student Success Initiatives

Follow-up to VFM Section 3.13, *2011 Annual Report*

Background

Ontario's Student Success Strategy is a collection of initiatives that the Ministry of Education (Ministry) has implemented since 2003 to help secondary school students graduate with their high school diplomas. At that time, the Ministry reported a five-year cohort graduation rate (the graduation rate as a percentage of the grade 9 population five years previously) for the 2003/04 school year of 68%. The Student Success Strategy aimed to raise the graduation rate to 85% by the 2010/11 school year.

The Ministry's Student Achievement Division is responsible for developing and monitoring the Student Success Strategy, while school boards and schools are responsible for delivering the strategy's initiatives. Every board receives funding for one student success leader to help implement programs in its schools, as well as funding for one student success teacher per secondary school who is responsible for providing supports to students at risk of not graduating. In the 2012/13 school year, the Ministry provided approximately $150 million to school boards for the delivery of student success initiatives (almost $130 million for the 2010/11 school year).

The Ministry has made steady progress toward the goal of an 85% graduation rate. The rate stood at 81% for the 2009/10 school year, and for the 2011/12 school year the Ministry announced a graduation rate of 83%. However, in our *2011 Annual Report* we did note areas where refinements to the initiatives would help ensure that the Ministry can meet its objectives and that students acquire the knowledge and skills they need to go on to post-secondary education or employment. Some of our observations at that time included the following:

- Ontario school boards we visited track risk factors such as gender, absenteeism and course success to help identify students at risk and then provide them with supports. However, we noted that some other jurisdictions have found that targeting supports to specific groups of students based on factors such as ethnicity, disability and economic status has been very effective in improving graduation rates.
- The Ministry's reported graduation rate is based on calculating the percentage of Grade 9 students who graduate within five years. However, the 2009/10 graduation rate would have been only 72% if it had been based on graduation within the four-year span of high school. On the other hand, the graduation rate would have been 91% if it had been extended to when students reach the age of 25.
- The Ministry relies primarily on tracking changes in the graduation rate to measure the outcome of the Student Success Strategy.

However, graduation rates are generally not publicly available by school board, and boards do not use a consistent method of calculating graduation rates, so it is difficult to meaningfully compare rates across the province. Better information is also needed on graduates' level of preparedness for post-secondary studies and employment.

- We noted situations where the work placements in the Cooperative Education program did not appear to complement the students' curriculum requirements for in-class learning. Students earned credits in a wide range of placements, such as clothing stores, fast-food outlets, coffee shops and laboratories.
- In the 2009/10 and 2010/11 school years, only $15 million of the $245 million the Ministry provided to school boards for student success initiatives was allocated based on a direct assessment of student needs. Much of the remaining funding was allocated based on the number of students in each board, rather than being targeted to the boards, schools and students most in need of support.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Actions Taken on Recommendations

According to information received from the Ministry, progress has been made on implementing all of the recommendations in our *2011 Annual Report*, with substantial progress made on several. For example, the *Taking Stock* report that monitors students as they progress through secondary school has been revised to better identify students considered potentially at risk of not graduating. Also, as part of the re-engagement initiative, a study was conducted to determine why students disengaged (i.e., left school before graduation), what was needed for them to successfully return to school and what preventive measures could be put in place that would decrease the probability of students disengaging in the first place. The Ministry informed us that, through this initiative, more than 8,000 students returned to school in the 2011/12 school year to work toward their diplomas. As a result, funding for this initiative was continued for 2013/14. Also, the Ministry has performed much of the initial work required to begin publishing school board graduation rates and to better track graduates who pursue post-secondary education and assess graduate outcomes.

The status of actions taken on each of our recommendations is described in the following sections.

MEASURING AND REPORTING ON STUDENT OUTCOMES

Recommendation 1

To help the Ministry of Education (Ministry), school boards, and schools generate timely data for decision-making purposes that are consistent and comparable, the Ministry and the province's school boards should:

- *set reasonable targets for graduation rates and student success indicators in line with overall provincial goals and require more formal reporting on the achievement of these targets at the provincial and school board levels;*
- *develop a common method for school boards to calculate and report graduation rates and other student success indicators;*
- *help school boards share best practices that would assist in the more timely verification and submission of student data;*
- *consider collecting information on high school graduates to identify any gaps in knowledge or skills that may require attention; and*
- *extend the use of the proposed student identifier number to include private career colleges.*

Status

The Ministry informed us that it has worked with school boards to identify and share effective data collection, submission and verification practices to assist in establishing reasonable targets for board graduation rates, creating common calculation and reporting methods, and monitoring students beyond secondary school. For example, the Ministry revised its *Taking Stock* report in the 2011/12 and 2012/13 school years to collect more refined data on secondary school students, including:

- the number of students identified to be potentially at risk of not graduating;
- the progress of all students toward the Ontario Secondary School Diploma (OSSD) requirements;
- the progress of students enrolled in the Supervised Alternative Learning (SAL) program; and
- the progress of part-time students under age 18 and re-engaged students (i.e., returning to school after leaving the system).

To improve the monitoring of students at risk of not graduating, the Ministry held sessions with Student Success School and Cross Panel Teams on using and sharing student success indicator and *Taking Stock* data, and it also works with Managing Information for Student Achievement leaders in the boards.

Starting January 2013 the Ministry added the Grade 11 credit accumulation indicator for all school boards to the board progress report on the Ministry's public website. The Ministry has also decided on a plan in principle for implementing a common method for calculating and reporting board-level graduation rates, which it believes may motivate continued momentum in Student Success initiatives, act as a performance measure for the boards and provide greater transparency. The Ministry's next steps are to calculate school board graduation rates for the 2012/13 school year in March 2014, and to publish school board graduation rates for the 2013/14 school year in March 2015.

The Ministry indicated that it has enhanced its data confirmation procedures to support school boards with their submission of consistent and comparable student data. In addition, the Ministry implemented a strategy to mitigate barriers boards face in verifying and submitting student data. As a result, starting with the March 2012 submission, data collection for publicly funded school boards was 100% complete in four months.

Since the Ministry plans to publish board-level graduation rates in March 2015, it will need accurate, timely data from all school boards. The Ministry provided funding to 10 school boards through a data quality improvement effort in 2011/12 to identify best practices for data submission and verification, and in February 2013 the best practices identified through this project were shared with all school boards.

The collaborative College Mathematics Project analyzed mathematical achievement of first-semester college students in relation to their secondary school mathematics backgrounds since 2008. The results, along with ways to increase student success in college mathematics, were discussed with colleges and high schools. The Ministry informed us that this project has been expanded to include both language and mathematics achievement of recent Ontario graduates in their first and second semester of college. In addition, for 2013/14, the Ministry plans to undertake a study of other jurisdictions to identify effective practices in identifying gaps in high school graduates' knowledge and skills.

Since April 2011 the Ministry of Training, Colleges and Universities (MTCU) has been working with the post-secondary sector to extend the Ontario Education Number (OEN), and all Ontario colleges and universities have enhanced their systems to accommodate the OEN, validate education numbers and request the assignment of new numbers. With this new capacity, post-secondary institutions have been processing their existing student files and have been able to assign 307,000 new OENs to students for whom an OEN did not previously exist. To ensure that the same student number follows a student from high school to post-secondary education, institutions need to update privacy notices for student data collection and contact students to resolve mismatches. The Ministry indicated that 90% of funded graduate and undergraduate students are expected to be set up by the fall of 2013. The 2014 student enrolment report is expected to contain OENs for all students registered with Ontario colleges and universities.

The Ministry informed us that a review with MTCU of privacy legislation is planned in 2013/14 to provide a clear authority to link personal information associated with the OEN from high school to post-secondary education. The Ministry noted that the data collection systems and business processes at private career colleges will likely not meet its authentication requirement. Consequently, it is assessing the feasibility of enhancing system security to allow for a self-authentication and retrieval model for students at private career colleges. In addition, the Ministry is considering amending the regulations to provide the legal authority for OEN use, assignment and information collection with private career colleges.

STUDENTS AT RISK OF NOT GRADUATING

Recommendation 2

To help identify students and student groups at risk of not graduating who may benefit from additional and specific supports and programs, the Ministry of Education and the province's school boards should:

- *establish a common definition for reporting grade 9 and grade 10 students considered at risk of not graduating;*
- *assess the viability of calculating student success indicators by a variety of attributes such as ethnicity, language, and socio-economic status, and consider a system or process for collecting data based on student self-identification; and*
- *review the processes used to record students who leave school without a diploma so that the reasons students leave school can be determined.*

Status

The Ministry revised its *Taking Stock* data report for the 2012/13 and 2013/14 school years to include more explicit guidelines to identify students considered potentially at risk of not graduating. To ensure consistency in board definitions, the revised report requires boards to deem all students who failed a specified number of courses to be at risk of not graduating. In April 2013, regional sessions were held to present school boards with the provincial perspective on identifying students as potentially at risk.

The Ministry indicated that identifying students or student groups at risk of not graduating on the basis of student ethnicity, language and socio-economic status raises issues of privacy, fairness and sensitivity. Taking these considerations into account, the Ministry completed in the summer of 2012 a detailed analysis of options and recommendations for reporting on the achievement of self-identified Aboriginal students. The Ministry is also working with the Ministry of Children and Youth Services to improve the educational outcomes of children and youth in the care of, or receiving services from, Children's Aid Societies. This includes promoting the development of protocols between the education and child welfare sectors and identifying opportunities for better linkages and programs to benefit these students.

In spring 2013, the Ministry prepared materials on standardized criteria for analyzing and reporting on data on student sub-populations. The Ministry stated that it is analyzing options for producing student success indicators for sub-populations, such as students attending schools with particular socio-economic attributes. In addition, the Ministry intends to use student success indicator data to prepare reports at the provincial, board and school levels that group students by gender, special education status and English language learner performance.

In fall 2012, the Ministry approved a proposed list of new student mobility codes that are intended to improve the quality of the data collected from school boards when a student transfers or leaves school. The new codes should assist the Ministry in better understanding the destinations of students who leave Ontario schools. Throughout the winter of 2012/13, the Ministry met with representatives from school boards to communicate the proposed changes in student mobility codes and receive feedback. The Ministry plans to begin using the new mobility codes for the 2013/14 school year.

The Ministry's new re-engagement initiative—Next Steps—builds on the success of a 2010 initiative to re-engage students who were close to graduating by integrating information gathered from a variety of sources. The initiative focuses on how to encourage students with significant credit accumulation to successfully return to school and what preventive measures would decrease the probability of such students disengaging in the first place.

STUDENT SUCCESS STRATEGY INITIATIVES

Recommendation 3

To ensure that student success initiatives increase the number of students who obtain their Ontario Secondary School Diploma and are adequately prepared for college, university, apprenticeship, or the workforce, the Ministry of Education and the province's school boards should:

- *assess the re-engagement initiative to determine if the benefits that boards had noted justify the cost of maintaining the program in future years;*
- *disseminate best practices or guidance for helping students achieve their community service hours before graduation;*
- *better link work placements in cooperative education with course expectations to ensure that the placements complement the in-class experience as required; and*
- *assess the Credit Recovery program to determine whether students are achieving the required course expectations, and consider more detailed guidelines to ensure consistent program delivery across the province.*

Status

The Ministry continues to assess the re-engagement initiative by comparing school board data submitted through the *Taking Stock* report and found that in the 2011/12 school year more than 16,000 students (10,000 students in 2010/11) were contacted to return to school and more than 8,000 students (5,000 students in 2010/11) were re-engaged through this initiative. Although funding for the re-engagement initiative was expected to wind down, the Ministry informed us that, given the encouraging results to date, funding will again be provided to school boards in the 2013/14 school year to contact students who are near to graduation but have left the system and then mentor and monitor their transition back to the school system. The Ministry also noted that it was planning to make a concerted effort to re-engage all self-identified Aboriginal students who have left the system or are at risk of not graduating because they have not accumulated sufficient credits.

All Ontario secondary students must complete 40 hours of community involvement as a graduation requirement. In the summer of 2012, the Ministry requested assistance from members of the Ontario School Counsellors' Association (OSCA) in collecting best practices for helping students achieve their community involvement hours. In fall 2012, the Ministry participated in working groups with several organizations (Volunteer Canada, Change the World/MCI, the Ontario Volunteer Centre Network, Charity Republic, OSCA, Free the Children) interested in helping students find volunteer opportunities and promoting the spirit of volunteerism within the schools. At the time of our follow-up, three separate organizations were developing systems designed to enable students to track their volunteer hours online, provide an approval process for charities to acknowledge student participation, and enable school administrators to monitor student volunteer hours. These systems were expected to be piloted in the 2013/14 school year. In May 2013, the Ministry conducted regional training sessions with one guidance counselor from each secondary school to provide information on these systems and share promising practices for supporting students in acquiring the 40 hours of community involvement required to graduate.

The co-operative education program allows students to earn secondary school credits while completing a work placement in the community. In spring 2012, ministry staff engaged the Ontario Cooperative Education Association executive and other regional co-operative education associations in discussions on practices related to personalized placement learning plans and improving linkages between students' co-operative education experience and in-class credits. In the summer of 2012 the Ministry contracted four school board co-operative education co-ordinators to document best practices. In the spring of 2013 the Ministry released a new resource for co-operative education teachers and school and board administrators highlighting best practices, including matching placements to curriculum expectations.

To help ensure consistency throughout the province in the Credit Recovery program, which gives students who have failed a course another chance to demonstrate understanding of specific topics rather than retaking the entire course, the Ministry has drafted a proposal to review the program for the 2012/13 and 2013/14 school years.

STUDENT SUCCESS FUNDING

Recommendation 4

To ensure that Student Success Strategy funding is spent efficiently to address the specific needs of students at risk of not graduating, the Ministry of Education and the province's school boards should:

- *adopt funding methods that target more money for schools and boards where students at risk most need the assistance and work with the boards and schools to better estimate student participation in application-based programs;*
- *improve existing processes to monitor board expenditures and ensure that overfunding is properly accounted for;*
- *allocate demographic funding based on the most recent data available; and*
- *assess the cost and benefits of ministry delivery of the Dual Credit program.*

Status

To help target funds to those students most in need of assistance, the Ministry modified its funding approach in some programs and sought models that show positive outcomes for vulnerable groups of students that could be adopted across the province. For example:

- The Ministry informed us that to address the needs of additional low-performing schools, it expanded the School Support Initiative (SSI) from three boards (27 schools) in the 2008/09 school year to 26 boards (116 schools) in 2012/13. As well, it determined that 55 of the participating schools demonstrated increased achievement in 2011/12 such that they no longer receive SSI funds. The Ministry also informed us that, for the 2013/14 school year, the program would provide additional funding to current SSI-eligible boards to better target the gaps in student learning and achievement for specific identified sub-populations such as self-identified Aboriginal students. The model is to be reviewed and may be further revised pending an assessment of the 2012/13 funding model.
- In June 2012, the Ministry contacted all boards to find additional participants for the second year of a pilot to explore effective practices to assist students in the Supervised Alternative Learning program. This program attempts to re-engage students 14 to 17 years old who are not attending school. For 2012/13 this pilot program was expanded from five to 10 boards to continue the focus on developing strategies and templates for tracking Supervised Alternative Learning students' achievements in non-credit learning activities.
- In January 2013, the Ministry invited all school boards to submit applications for funding

to run pilot programs focused on innovative delivery models to improve educational outcomes for secondary school students in the care of, or receiving services from, Children's Aid Societies. The Ministry noted that the educational outcomes of children and youth in care are significantly lower than those of the general population, and that it is committed to providing targeted, personalized support to meet the learning needs of these students. Funding has been allocated for the boards that will be selected to run pilot programs in the 2013/14 school year.

- Now that sufficient self-identified Aboriginal student data is available, student success activities are being enhanced in boards and schools where there are larger numbers or proportions of self-identified First Nations, Métis and Inuit students.

The Ministry has been looking at historical trends in the number of students enrolled in the two major application-based programs: Specialist High Skills Major (SHSM) and Dual Credit. The Ministry reduced funding to these programs after identifying that the projected numbers of students exceeded the actual number participating in previous years. Some programs with consistently low enrolment in comparison to the overall school population are to be reviewed for the 2013/14 school year. The Ministry also indicated that adjustments to funding for school boards and colleges for the SHSM and Dual Credit programs will continue to be based on student participation data.

The Ministry informed us that it revised expenditure reporting templates, which are now monitored more frequently to ensure that school boards are spending funding according to the stated contract deliverables and in a timely manner. For example, in the 2012/13 school year, ongoing visits were conducted to monitor board practices and to support the implementation of the School Support Initiative. In addition, to help ensure funding is spent appropriately, education officers reviewed and analyzed the 2011/12 board expenditure reports with respect to the specific student success strategies being implemented. In December 2013, the Ministry plans to conduct a similar review of the 2012/13 expenditures. The Ministry also stated that unspent funding in Dual Credit programs was being reallocated to other programs and the Council of Ontario Directors of Education returned $6.3 million of unspent funds to the Ministry of Finance in the fall of 2012.

Using the most recent census data available to calculate demographic funding resulted in significant redistributive impacts on school boards. To limit the impact on individual school boards, the Ministry is phasing in the funding reallocations over four years. During the phase-in period some boards will see their funding decrease and other boards will see progressive funding increases. The redistribution of demographic funding will be completed in the 2014/15 fiscal year.

In June 2012, the Ministry engaged a consultant to conduct a review and assessment of the management of the Dual Credit program and to provide options and recommendations for its future management. The focus was on analyzing the costs and benefits of transferring the delivery of the program from the Council of Ontario Directors of Education (CODE) to the Ministry. The consultant provided a number of program recommendations and management options, outlining the implications of each. The Ministry selected the option to strengthen and improve the current delivery process but transfer some of CODE's responsibilities to the Ministry. The Ministry noted that several of the report's recommendations relating to CODE's responsibilities have been put into practice and used to develop a 2013 action plan for the program.

Chapter 4

Section

4.14

Ministry of Community and Social Services

Supportive Services for People with Disabilities

Follow-up to VFM Section 3.14, *2011 Annual Report*

Background

The Ministry of Community and Social Services (Ministry) funds a variety of supportive services programs to help people with developmental disabilities live at home, work in their communities and participate in a wide range of activities. In the 2012/13 fiscal year, the Ministry spent $561 million ($571 million in 2010/11) on such programs, including $422 million ($472 million in 2010/11) through approximately 390 contracts with transfer-payment agencies (412 in 2010/11) in nine regions that provided services to about 132,000 eligible people (134,000 in 2010/11). The Ministry-administered Special Services at Home (SSAH) program received $42 million to serve approximately 12,500 children (in 2010/11, it spent $99 million serving 24,000 families under a former program). As well, the Ministry spent over $96 million on its Passport program, serving over 15,300 adults.

In July 2011, as part of the Ministry's long-term Developmental Services Transformation project, the Ministry implemented a new process for people to apply for developmental services and supports. Nine Developmental Services Ontario organizations (DSOs) now serve as "single windows" for adults to apply for services and supports. As of April 1, 2012, Passport provides supports and services exclusively for adults, and SSAH provides supports and services exclusively for children and youth.

Agencies that receive transfer-payment funding provide or arrange for such services as assessment and counselling, speech and language therapy, behaviour intervention therapy and respite care. Agencies also administer the Passport program, which provides direct funding to families for community participation and caregiver respite for adults with a developmental disability and their family/caregiver. The SSAH program provides direct funding to eligible families for purchasing supports and services beyond those typically provided by families, and that are designed primarily to enhance personal development and provide family relief through respite care.

At the time of our *2011 Annual Report*, we found that many of the concerns noted in our audit of the program 15 years earlier still had not been satisfactorily addressed. The Ministry still did not have adequate assurance that its service-delivery agencies were providing an appropriate and consistent level of support in a cost-effective manner to people with developmental disabilities. The Ministry's oversight procedures were still not adequate to ensure that quality services were provided and that public funds were properly managed by transfer-payment agencies. Although the Ministry was in the midst of a comprehensive Developmental Services

Transformation project intended to address these and other areas, we found it would take several years for many of the issues we identified to be addressed effectively. Among our more significant findings were the following:

- In half the cases we reviewed, agencies lacked supporting documentation to adequately demonstrate a person's eligibility or needs. As a result, agencies could not demonstrate, and the Ministry could not assess, whether the individual was getting the appropriate level of service or was in need of additional support.
- The Ministry had not established acceptable standards of service or the necessary processes to properly monitor the quality of services provided. Consequently, it could not assess whether it was receiving value for money for the funding provided to community-based agencies. Ministry staff rarely visited agencies for these purposes.
- The Ministry was not aware of the number of people waiting for agency-based supportive services, information that was necessary for assessing unmet service needs.
- Although it would be reasonable to expect a consistent set of rules about what were appropriate services and, therefore, allowable expenditures under the Passport program, the Ministry had not set such rules. As a result, expenses for services that were reimbursed in one region were deemed ineligible for reimbursement in another.
- In practice, annual agency funding continued to be based primarily on historical rather than needs-based levels, exacerbating previous funding inequities. As a result, some hourly service costs appeared excessive, and the range of costs per hour for similar services varied widely across the province.
- The Ministry had little knowledge of whether the agencies it funded and their boards of directors had effective governance and control structures in place.
- As of March 31, 2011, there was a waiting list of almost 9,600 people who met the SSAH eligibility criteria but were still waiting for SSAH funding.

We made a number of recommendations for improvement and received commitment from the Ministry that it would make changes consistent with our recommendations.

Status of Actions Taken on Recommendations

The Ministry has made some progress in addressing all of the recommendations in our *2011 Annual Report*. For instance, the Ministry has clarified the definition of developmental disability and the criteria and documentation needed when applying for supports and services. It has also conducted site visits to agencies and Developmental Services Ontario organizations to assess their compliance with quality assurance measures and policy directive requirements. Our concerns with regard to the Passport guidelines and process of reimbursing expense claims have been partially addressed, but will require more time to be addressed fully. The status of actions taken on each of our recommendations at the time of our follow-up was as follows.

SERVICES PROVIDED BY TRANSFER-PAYMENT AGENCIES

Eligibility and Access to Services

Recommendation 1

To help ensure that eligibility is determined consistently and equitably across the province, and that individuals receive the appropriate support, the Ministry of Community and Social Services (Ministry) should provide guidance to agencies regarding the criteria and documentation required to demonstrate a person's eligibility and needs. The Ministry's regional offices, as part of their oversight responsibilities, *should then periodically review whether transfer-payment agencies are assessing people on a consistent basis and matching their needs to the most suitable available services.*

Status

As noted in our *2011 Annual Report*, the Ministry implemented a new process in July 2011 for people applying for developmental services and supports. Nine Developmental Services Ontario organizations (DSOs) are now the "single windows" through which adults with developmental disabilities and their families apply for Ministry-funded services and supports. Eligibility criteria and documentation requirements were revised to promote consistent decisions for support across the province, and the new *Services and Supports to Promote the Social Inclusion of Persons with Developmental Disabilities Act* (SIPDDA) includes a new definition of developmental disability.

The new eligibility criteria require that applicants provide their DSO with the following:

- an assessment or report, signed by a psychologist or psychological associate, that confirms they have a developmental disability;
- documentary proof, such as a copy of a passport or birth certificate, that they are 18 years of age or older; and
- documentary proof, such as a bank statement, utility bill or rental agreement, that they live in Ontario.

A new policy directive also outlines procedures to be used by DSOs to confirm applicant eligibility. The Ministry further engaged clinicians from the Centre for Addiction and Mental Health in June 2011 and May 2012 to develop and provide DSO staff with training on the new eligibility criteria. It also distributed guides, a checklist and other tools to support the DSOs in administering the new process.

Periodic reviews of the success in matching the most suitable services to the identified needs have not been implemented, but the process was under collective review by the Ministry and DSOs at the time of our follow-up. The Ministry has the authority under SIPPDA to complete compliance inspections for all Ministry-funded services and supports. However, inspectors currently verify compliance only with applicable legislation and policy requirements that outline the DSOs' role in confirming eligibility; they include no specific criteria related to matching services to needs.

The Ministry completed compliance inspections for all nine DSOs in 2012/13. We noted that no DSOs were found to be 100% compliant upon inspection, and the highest rate of non-compliance related to individuals' records. The Ministry informed us that 78% of the total non-compliance requirements had been addressed within 10 business days of the inspections, and all requirements had been met at all DSOs by June 2013.

The Ministry also informed us that service agencies are required to develop and annually update support plans for each individual receiving ministry services. The agency works with the individual to develop a support plan that includes strategies to reach their goals, and the services and supports that are needed to help execute those strategies. The Ministry inspected 370 transfer-payment agency sites (some agencies operate multiple sites) between June 1, 2012, and March 31, 2013, and found that more than half had compliance issues. At the time of our follow-up, many of these agencies were still addressing these issues.

Applicants for services and supports can request a review if they disagree with a DSO eligibility decision, and a new policy directive sets out the review process.

Quality of Services Provided

Recommendation 2

To ensure that services are appropriate, are of an acceptable standard, and represent value for the money spent, the Ministry of Community and Social Services should:

- *establish acceptable standards of service; and*

- *periodically evaluate the appropriateness and cost-effectiveness of the services provided by transfer-payment agencies.*

Status

As noted in our *2011 Annual Report*, the Ministry introduced a new regulation in January 2011 to establish more robust and consistent quality assurance standards for agencies. The regulation was intended to help evaluate the appropriateness and cost-effectiveness of the services being provided.

The Ministry developed additional policy directives for service agencies in November 2011 to address complaints and establish behavioural intervention strategies. The Ministry further updated policy directives for DSOs in August 2013. The directives are intended to help ensure consistent customer service levels across the province and, in the event of relocation, to help make it easier to transition between DSOs. The directives provide instructions for the DSOs on:

- the information they provide to the public and applicants about available supports and services, and the application process;
- confirming eligibility for supports and services for the first time;
- responding to questions and concerns about the application process or services provided;
- following consistent steps and using the same tools to assess all applicants using the Application Package; and
- reporting requirements to the Ministry.

As noted above, the Ministry recently inspected a number of service agencies and all of the DSOs in order to assess compliance with its quality assurance measures and policy directives. The Ministry informed us that it will continue to do regular compliance inspections and, as noted, the process of matching individuals to services and supports was under review at the time of our follow-up.

In January 2013, the Ministry also completed an evaluation of its Passport Mentoring Program for youth and young adults with developmental disabilities who are transitioning from school. Review work included cost analysis, assessment of outcomes, eligibility determination and administration practices, and will continue into 2014.

The Ministry informed us that significant progress had been made on the sector-led Developmental Services (DS) Human Resources (HR) strategy, which aims to recruit and retain qualified professionals in the DS sector. Core competencies were identified for seven standard developmental services agency positions, and three training modules were developed to help staff understand and use them. By incorporating the required core competencies into HR hiring and screening processes, DS education and qualifications, and management feedback and coaching for staff, the strategy aims to ensure a well-trained and qualified workforce, which will result in quality support for people with developmental disabilities.

Lastly, the Ministry launched a project in 2012 to identify cost drivers in the developmental services sector. Based on new and existing financial and service data, the project is aimed at developing unit costs for Ministry-funded services and identifying variables that explain cost differences across the province. The final report on this project was expected in winter 2013–14.

Wait Lists

Recommendation 3

To help monitor and assess unmet service needs, and help allocate funding more equitably, the Ministry of Community and Social Services (Ministry) should work with agencies to ensure that they prepare and periodically forward to the Ministry accurate wait-list information on a consistent basis.

Status

Agencies no longer maintain wait lists because all individuals applying for supports and services now do so through the DSOs. The agencies report to the DSOs on their vacancies and the DSOs match eligible and prioritized individuals with available supports and services. In order to improve wait-list information as well as system planning and forecasting, the Ministry is working to consolidate all information about individuals receiving or waiting for adult developmental services. This information will be moved into the Developmental Services Consolidated Information System (DSCIS) to provide a reliable count of all individuals currently on wait lists. Through the DSCIS, DSOs will be able to obtain wait-list reports, including one report that provides data on the number of individuals waiting for each type of funded adult developmental service. The information will be shared with community planning groups and transfer-payment agencies. The Ministry plans to complete this project later in 2013.

The Ministry informed us that it is developing a prioritization tool to ensure consistent processes across the province. This prioritization tool will use common risk factors to determine the immediacy of an individual's needs for services and/or supports. In December 2011, the Ministry issued interim guidelines to the agencies for regional prioritization for implementation by fall 2013. As well, the Ministry informed us that a funding entity will be created as part of the phased implementation of SIPDDA. While the Ministry will focus on policy setting and overall management of the program, the new entity will make funding decisions at the individual level, by prioritizing the supports, services and funding for each applicant deemed eligible under the Act. The timeline for the creation of this funding entity has not been determined.

At the time of our follow-up, the Ministry was developing a resource distribution model for distributing resources aimed at improving fairness and equity, as well as local accountability and flexibility. The Ministry was planning to engage with stakeholders beginning in fall 2013 to receive feedback and make further refinements to the model.

Lastly, the Ministry implemented a new Passport Mapping Tool in May 2013 to help Passport agencies maintain accurate wait lists and determine individual funding allocations. The tool helps Passport agencies use the application information collected by DSOs to identify the support needs of individuals referred to them. The DSOs transfer completed application packages to the Passport agencies on an ongoing basis so they have an updated list of individuals waiting for Passport services.

Passport Program

Recommendation 4

To ensure that families are being reimbursed only for the reasonable cost for eligible activities, the Ministry of Community and Social Services should clearly define what are eligible expenditures and ensure that agencies are approving and reimbursing expense claims on a consistent basis across the province.

Status

Between September and December 2012, the Ministry solicited stakeholder feedback on proposed changes to the Passport guidelines relating to the issues of eligible and ineligible expenses, respite, and accountability requirements. The Ministry informed us that it was considering the feedback and continuing consultations on a revised guideline. In the interim, an addendum effective July 1, 2013, was added to the Passport guidelines to make some program changes and provide some clarity and examples of eligible and ineligible expenses.

The key change in the addendum with respect to eligible expenditures was the addition of caregiver respite services and supports. Caregiver respite refers to services and supports provided to, or for the benefit of, a person with a developmental disability by someone other than the primary caregiver to give that primary caregiver some relief. Indirect respite refers to short-term arrangements that help the primary caregiver manage household and family responsibilities that are not directly related to caring for a person with a developmental disability. Indirect respite was not added as an eligible Passport expense. However, Passport agencies can pre-approve temporary use of Passport funds for indirect respite in extenuating circumstances.

There is a one-year grace period for adults who transitioned to Passport from SSAH before April 1, 2013, as indirect respite was an eligible expense under SSAH. As well, in extenuating circumstances, the Passport agency can approve the continued use of funds for indirect respite beyond the deadline for these individuals.

The Ministry added a "tip sheet" to its website to help individuals and families understand expenses that are now covered under Passport. The Ministry's July 2013 bulletin, *Spotlight on Transformation*, which was posted on its website and sent to stakeholders, also highlighted the changes.

We noted that during its consultation on the Passport guidelines, the Ministry proposed changes to accountability requirements, such as moving to quarterly reporting of expenses and/or performing random or risk-based audits of invoices and receipts. However, the Ministry did not include any changes with respect to reviewing or reporting expenses in the addendum. The Ministry informed us that it will be undertaking additional consultations with stakeholders to develop policy and guidelines regarding admissible expenses and activities and accountability requirements.

MANAGEMENT AND CONTROL OF TRANSFER-PAYMENT CONTRACTS

Budget Submissions and Annual Service Contracts

Recommendation 5

To ensure that funding provided to transfer-payment agencies is commensurate with the value of services provided and that funding is primarily provided based on local needs, the Ministry of Community and Social Services should:

- *reassess its current budget submission, review and approval process and revise it to ensure that the approved funding to agencies is appropriate for the expected level of service; and*
- *analyze and compare the agency costs of similar programs across the province, and investigate significant variances that seem unjustified.*

Status

New Transfer Payment Reporting Standards were introduced in the 2012/13 fiscal year. The standards were intended both to meet the requirements of the legislation and to address our concerns by improving the Ministry's ability to compare agency costs of similar programs. The Ministry engaged some of its stakeholders to develop, oversee and deliver province-wide training of agencies in the DS sector on the new standards. Ministry staff, regional leads, program supervisors and agencies received this training in December 2012.

The new standards were introduced in two phases. In the first phase, to improve the consistency and accuracy of the information reported, the number of detail codes was reduced from 30 to 16, and definitions were clarified. In the second phase, the Ministry standardized the financial information collected through the service contracting process and the Transfer Payment Budget Package. The new standardized categories align with the Ministry's chart of accounts and are intended to improve consistency in expenditure reporting. Agencies can now only use the expenditure categories provided by the Ministry.

As noted earlier, the Ministry launched a project in 2012 to improve its ability to analyze and compare costs of services and enable it to investigate and explain variances from budget that seem unjustified. Unit costing work at the agency level was completed in March 2013 and an interim report was provided to the Ministry in April 2013. The Ministry expects the final report in winter 2013–14.

At the time of our 2011 audit, the Ministry was developing a new funding-allocation model to improve transparency and equity in the allocation of funds. The goal was to distribute resources based on individuals' assessed needs using consistent criteria. Under the new model, each individual will have a unique and portable budget, and will be able to purchase the services that offer the greatest value and best meet his or her needs. Work on the new model is still ongoing, with the Ministry planning to hold stakeholder discussions before starting pilot testing late in the 2013/14 fiscal year.

Ministry Oversight and Control

Recommendation 6

To ensure adequate oversight of transfer-payment agencies and to improve accountability within the supportive services program, the Ministry of Community and Social Services should:

- *review all agency quarterly reports and year-end TPAR [Transfer Payment Annual Reconciliation report] submissions for unusual or unexplained variances from previous years and from contractual agreements, and follow up on all significant variances;*
- *perform spot audits on agencies to validate the information provided in the quarterly reports and TPAR submissions; and*
- *assess whether each regional office has the level of financial expertise required, and, where lacking, determine the best way of acquiring this expertise.*

Status

The new Transfer Payment Reporting Standards discussed earlier are intended to enhance the Ministry's ability to assess value for money and to investigate significant variances. The Ministry has implemented two new transfer-payment frameworks—one for ministry staff and the other for service agencies—that were being developed at the time of our *2011 Annual Report*. The frameworks consolidate the Ministry's existing business practices and its requirements for appropriate management of government funds.

The Ministry indicated that as part of its compliance program, discussed earlier, inspectors verify compliance with quality assurance measures and the Policy Directives for Service Agencies. This includes reviewing financial records. However, the inspectors do not validate quarterly reports or Transfer Payment Annual Reconciliation report submissions; these are reviewed by staff in regional offices. As well, agencies are notified in advance of the compliance inspections; this is not consistent with our recommendation to implement spot audits.

Annual in-class and online training sessions are provided each year to inform agencies about changes to the Transfer Payment Budget Package and any new reporting requirements. Ministry and agency staff are invited to participate, and the training material is accessible online. However, actual participation is poorly tracked.

The Ministry annually reviews its agencies' reporting policies; however, there have been no significant changes since the time of our audit. Agencies are still required to self-identify variances from budget in their quarterly and annual reports and to submit a variance report to the regional office.

With respect to our recommendation about reviewing the level of financial expertise among staff at regional offices, managers develop learning plans for all staff as part of their annual performance planning and review cycle. Employees work with their manager to identify training needs and goals and develop appropriate plans for the year to reach them. As well, staff are trained on the Ministry's information system, which manages financial and service information related to transfer-payment agencies, and on a web-based application that develops reports. Although no new initiatives have been undertaken to address this aspect of our recommendation, the Ministry is reviewing and improving the current training model and updating its online training modules to build capacity in the regions.

Governance and Accountability

Recommendation 7

To ensure that agencies have the capabilities to properly administer the spending of public funds, the Ministry of Community and Social Services should encourage the regional offices to play a more hands-on role in ensuring that agencies have appropriate expertise and governance structures and accountability *processes, including those smaller agencies that receive less funding but may have more difficulty maintaining proper financial controls.*

Status

Following an internal review of risk-assessment processes, the Ministry introduced a revised Risk Assessment Methodology and Tools in fall 2011 to strengthen oversight, governance and accountability while attempting to control costs by focusing on areas of higher risk. Key changes included:

- Business cycle: High-risk agencies would now be reviewed by the Ministry every 12 months instead of every six months, and low-risk agencies would be reviewed every 24 months instead of every 18 months. Mid-way reviews were added to the review schedule and a firm timeline was created to ensure assessments would be complete before annual contracting decisions were made.
- Risk Dimension and Weighting: The available responses on the risk assessment were expanded and questions were streamlined to improve comparability.
- Risk Mitigation Strategy: Risk mitigation was integrated into the risk assessment. For each medium or high risk identified, agencies must develop a mitigation strategy to reduce the likelihood or severity of that risk.
- Risk-Rating Scale: The number of factors that determine risk ratings was expanded.
- Business Process and Tool Usability: The process for agencies that receive funding from multiple ministries or regions was formalized, and full assessments for new service providers were added.

The Ministry introduced the new methodology and tools through teleconference and online sessions. It also trained a number of managers and regional leads who then facilitated training sessions for regional staff and service providers. Training and implementation were completed by December 2011.

As noted earlier, the Ministry was at the time of our *2011 Annual Report* working on two Transfer Payment Governance and Accountability Frameworks—one for staff and the other for agencies. The frameworks consolidated the Ministry's existing business practices and expectations into two documents. The Ministry's framework consolidated all of the Ministry's business practices and tools for transfer-payment oversight. The service-provider framework focused on what agencies must do to meet ministry governance and accountability requirements. Both frameworks were implemented in March 2012. Regional directors were tasked with disseminating and discussing the Ministry's expectations, as outlined in the framework, during regular budget negotiations and planning meetings in spring 2012.

With respect to our recommendation about ensuring that agencies have appropriate expertise and governance structures, the ongoing human-resources efforts and core-competencies strategy will help agencies recruit and retain qualified professionals. To date, the main focus of the strategy has been on improving the competencies of direct support staff. However, core competencies have also been identified for executive directors, and this information was shared with all regional offices, and executive directors and boards of directors of all DS agencies. The agencies are encouraged to use this information when hiring, setting performance expectations or reviewing performance. The Ministry indicated the sector had also developed a core competencies "dictionary" to establish a common language for performance expectations and benchmarks for hiring, learning and development. As well, the Ministry is continuing to contribute annual funding to a leadership program at Queen's University for executive directors and other leadership positions.

SPECIAL SERVICES AT HOME (SSAH)

SSAH Reimbursements

Recommendation 8

To ensure that Special Services at Home (SSAH) reimbursements to families are consistently made only for legitimate and eligible expenses, the Ministry of Community and Social Services (Ministry) should establish and communicate clear criteria for what constitutes an eligible expense.

In addition, the Ministry and agencies that administer SSAH funding should obtain sufficiently detailed invoices—and, where applicable, receipts—to ensure that the amounts claimed are in fact eligible and reasonable before funds are disbursed.

Status

As noted previously, Special Services at Home (SSAH) serve only children and youth as of April 1, 2012, and all adults seeking direct funding support must apply through the DSOs for direct funding under the Passport program. The scope of our *2011 Annual Report* was limited to supportive services for adults with disabilities; however, we noted that the Ministry updated the SSAH invoice template and "Managing your Funding" guide in December 2011 to require more detailed expense submissions. The invoice template now requires information about the type of service and/or program that was provided, and a separate invoice must be submitted for each worker. A reminder was added to the guide about eligible expenses and the sign-off section was amended to clarify the accountability requirements for the individual submitting the claim and for the support worker who provided the service. The new guide was distributed to all 2011/12 SSAH recipients young enough to be eligible for SSAH during 2012/13. The Ministry indicated that all SSAH invoices are approved by ministry staff prior to disbursement.

The Passport reimbursement process has not been revised since our *2011 Annual Report*. The Ministry provides Passport agencies with a sample invoice template, which has been updated to reflect the addition of respite to the Passport guidelines. Passport agencies are not required to use the template provided by the Ministry, and may create their own invoice for individuals and families to submit receipts. Passport agencies set their own policies and practices for reimbursing individuals and families for eligible expenses. The Ministry does not prescribe how or when Passport agencies reimburse individuals and families, but it does hold agencies accountable to its transfer-payment standards and requirements. The criteria for Passport's eligible expenses and the approval of expenditures were addressed earlier in this section.

OTHER MATTERS

Travel, Meal and Hospitality Expenditures

Recommendation 9

To help ensure that all agencies that are required to do so implement the government's new directive on travel, meal and hospitality expenses, and that all other agencies follow the spirit of the directive, the Ministry of Community and Social Services should reinforce the requirements to do so and consider having the agencies' board chairs annually attest to such compliance.

Status

Compliance reporting is required of all agencies receiving $10 million or more in transfer-payment funding, in accordance with the *Broader Public Sector Accountability Act, 2010* (BPS Act). The Ministry provided its regional directors with a template letter for distribution to those agencies affected by the requirements. The letter outlined the new reporting requirements, including the deadlines for compliance, and links were provided to online versions of the BPS Act and its associated directives.

Agency compliance reporting consists primarily of an annual attestation of compliance signed by the chief executive officer or equivalent, and by the chair of the board of directors. The attestation form requires each agency to report whether it is in compliance with nine requirements set out in the

BPS Act or its directives. One of these requirements is that the organization manage its travel, meal and hospitality expenses according to policies that comply with the Broader Public Sector Expenses Directive. For any issues of non-compliance, the agency is required to report on the corrective action that it will take. The Ministry distributes this attestation form along with the Transfer Payment Budget Package every February. Agencies were first required to return the compliance forms to their regional office in June 2012.

The Ministry informed us that it communicated the requirements of the BPS Act to those agencies that are required to comply with it. As well, it encouraged other agencies to voluntarily comply with it.

The Internal Audit Division recently launched a review of the actions that the Ministry has taken to address our recommendations relating to travel, meal and hospitality expenditures. A report was expected later in 2013.

The Ministry expects that the revised risk-assessment process discussed earlier will help improve program management and mitigate risks. The risk-assessment documentation includes a section related to the implementation of policies consistent with the Broader Public Sector Expenses Directive. This section requires an assessment of, among other things, whether the agency has and makes use of financial policies and procedures covering procurement, meals/hospitality and travel; whether cheque authorization and expenditure approvals are independent; and whether financial oversight responsibilities are segregated to reduce the risk of errors or irregularities going undetected. The Ministry completed risk assessments of all transfer-payment agencies in the developmental services sector between November 2011 and January 2012.

SSAH Program Administration

Recommendation 10

Given the similarities in overall staffing levels at the regional offices dedicated to the Special Services at Home (SSAH) program, the Ministry of Community and Social Services should assess the need for the additional administration costs being paid out to agencies and ensure that all costs incurred are reasonable and necessary.

Status

At the time of our follow-up, the Ministry had reviewed the administrative models of SSAH and Passport as part of the transition to a single direct-funding program. The review considered the type and level of administrative support offered to families transitioning from SSAH to Passport in the fiscal year 2012/13 and the source of administrative funding for agencies. The review identified strategies to reduce the provincial variations in administration costs and to increase cost effectiveness. The Ministry established one common formula for funding administration costs for all Passport agencies: it is now determined as a percentage of the total annual funding of each Passport agency. Passport agencies are no longer required to determine program eligibility, assist applicants in the completion of a Passport application, or interview program applicants. The new formula reflects this new role.

As part of this transition, the Ministry worked with regional offices to develop transition strategies and timelines that would help implement the new formula and minimize its impact on families and individuals. Three regional offices requested and received one-time additional funding during the transition year to support service or transition co-ordinators, to provide workshops and training for recipients, and to maintain existing HR and administrative supports.

The Ministry has not reviewed or changed the administration funding for SSAH.

Chapter 5

Review of Government Advertising

Advertising Review Activity, 2012/13

INTRODUCTION

This year marks the 10th anniversary of the introduction of the *Government Advertising Act, 2004* (Act), which requires my Office to review most government print, broadcast and outdoor advertising to ensure it is not partisan.

The Act remains the only such law in Canada, and continues to be cited in other jurisdictions as a model for such legislation. Opposition legislators in British Columbia and Nova Scotia, for example, introduced bills closely based on the Act in 2013, although neither passed.

It was significant, too, that the British Columbia version would have added Internet advertising to the Auditor General's review mandate. This would have closed a loophole that still exists in the Ontario Act, introduced at a time before the Internet as an advertising medium had taken off.

This chapter satisfies the legislative requirement in the Act and the *Auditor General Act* to report annually to the Legislative Assembly on the work we have done over the past fiscal year.

RESULTS OF OUR REVIEWS

In the 2012/13 fiscal year, we reviewed 572 individual advertising items in 130 final submissions, with a total value of $30.1 million. This compares to 565 individual ads in 121 submissions with a total value of $34.8 million last year.

In all cases, we gave our decision within seven business days or less. Although the time required for a decision varies with the complexity of an ad and other work priorities, the average turnaround time during the past fiscal year was 3.1 days.

For the first time since the *2007 Annual Report*, we found no submissions in violation—that is, all of the ads submitted to us in final version for review met the standards of the Act and received approval. We did, however, find that three ministries had previously contravened the Act by running advertisements without first submitting them to our office for review, as follows:

- The Ministry of the Attorney General ran 17 ads about the David. W. Mundell Medal between 2006 and 2011, mostly in legal publications, without first submitting them for review. In addition, 15 of the ads contained the names of the then Attorneys General, in further contravention of the Act. Had these ads been submitted to us for review, we would have found them in violation of Section 6(1)3 of the Act.
- The Ministry of Health and Long-Term Care submitted in February three videos on flu

prevention intended for use in medical offices, and we approved them. However, the Ministry acknowledged when it submitted the videos that they had already begun running the previous fall. This was in contravention of Sections 2(2) and 2(3) of the Act.

- The Ministry of Natural Resources ran eight forest-fire safety ads—six on radio and two in print—without first submitting them. We believe these eight ads are the last of a series of contraventions identified last year after the Ministry claimed the ads regarded urgent matters (forest fires) and were therefore exempt from review under Section 2(5) of the Act. We determined at the time that some of these ads were about forest-fire *prevention* and so were not of an urgent nature as intended under the Act. Had these ads been submitted to us for review, we would have approved their content, with the proviso that they include a statement saying they had been paid for by the government of Ontario.

Subsequently, we developed a process with the Ministry that clarifies the nature of urgent matters under the Act and requires the Ministry to advise us on a monthly basis of any such ads it places.

In addition, we examined 10 pre-review submissions this past fiscal year comprising 22 ads at a preliminary stage of development. As pre-reviews are voluntary on our part and outside the statutory requirements of the Act, we are not required to issue a decision within the seven-business-day review period. Nonetheless, we make every effort to complete them within a reasonable time. The average turnaround time for these submissions was 9.1 business days. See "Other Matters" below for a further discussion of this year's pre-reviews.

OTHER MATTERS

Pre-review Submissions

As noted above, we regularly process pre-review submissions. In the past calendar year, some of them were quite complex in the current political context, and required more intensive examination by the Advertising Review Panel, an advisory group that occasionally helps assess proposed government ads.

One pre-review submission in April, for example, contained ads for a campaign that the Ministry of Finance proposed to run about the 2013 provincial budget. One of our concerns about the ads was that they may have fostered a positive image of the government party and a negative one of its critics. The Ministry subsequently revised the campaign and resubmitted it, and we approved it.

The following month, the Ministry of Finance submitted four proposed print ads for pre-review in connection with proposed amendments to the budget. We concluded that the ads would likely not meet the standards of the Act because they were partisan, particularly in the minority-government context in which they would have run.

On another occasion, the Ministry of Economic Development and Innovation submitted a television and a radio script for pre-review dealing with the government's "economic blueprint" and "plan" to "tackle the deficit while protecting what's important to people." After extensive review by the Panel, we found these ads likely would not meet the standards of the Act because, among other things, they were partisan. Some months later, the Ministry submitted for pre-review a re-worked television script and a proposed "householder" (a booklet intended for bulk distribution across the province) for a campaign entitled "Making Choices to Balance Ontario's Budget." We again deemed that the proposed campaign would likely not meet the standards of the Act because it was partisan, and the Ministry ultimately chose not to proceed.

The Act makes no provision for pre-reviews; we do these only to give government offices an indication of whether a proposed campaign would meet the standards of the Act before they commit large sums of money to it. However, we are concerned that, at times, pre-reviews are being used to test the limits of the Act.

Online Advertising

Online advertising has become an integral part of most marketing campaigns. Many of the government's large advertising campaigns include an online component and some campaigns even run entirely online. The Act does not cover online advertising. In the past, we have seen government online campaigns that would have been in violation of the Act if they had been submitted to our Office for review. In the 2012/13 fiscal year, the government spent more on Internet advertising than it did for advertising in print. As the government's online advertising increases, we believe its exemption has become a significant loophole in the legislation that should be addressed if the intent of the Act is to be met for all government advertising. Our expenditure reporting at the end of this chapter does not include any Internet costs. We believe the time has come for the government to amend the Act to include Internet advertising.

Overview of the Advertising Review Function

The Auditor General is responsible under the Act for reviewing specified types of government ads to ensure they meet legislated standards. Above all, such ads must not contain anything that is, or could be interpreted as being, primarily partisan in nature.

The Act outlines standards that advertisements must meet and states that "an item is partisan if, in the opinion of the Auditor General, a primary objective of the item is to promote the partisan political interests of the governing party."

The Act also gives the Auditor General discretionary authority to consider additional factors in determining whether a primary objective of an item is to promote the partisan interests of the governing party. The Act can be found at **www.e-laws.gov.on.ca**, and more details about the processes followed by our Office can be found in the *Government Advertising Review Guidelines* at **www.auditor.on.ca/adreview**.

WHAT FALLS UNDER THE ACT

The Act applies to ads that government offices—specifically, government ministries, Cabinet Office and the Office of the Premier—propose to pay to have published in a newspaper or magazine, displayed on a billboard, or broadcast on radio or television. It also applies to printed matter that a government office proposes to pay to have distributed to households in Ontario using unaddressed bulk mail or another method of bulk delivery. Advertisements meeting any of these definitions are known as "reviewable" items and must be submitted to my Office for review and approval before they can run.

The Act excludes from review job ads and notices to the public required by law. Also excluded are ads on the provision of goods and services to a government office, and those regarding urgent matters affecting public health or safety, where the normal seven-business-day process would impose undue delays in getting the message out.

As well, the following are not subject to the Act:

- online advertising; and
- brochures, newsletters, consultation documents, reports and other similar materials or publications (unless used as a paid insert in a magazine or newspaper, or distributed by bulk unaddressed mail).

The Act requires government offices to submit every reviewable item to our Office. The government office cannot publish, display, broadcast, distribute or disseminate the submitted item until the head of that office, usually the deputy minister, receives notice, or is deemed to have received notice, that the advertisement has been approved.

If the Auditor General's Office does not render a decision within seven business days, the government office is deemed to have received notice that the item meets the standards of the Act, and it may run the item.

If my Office notifies the government office that the item does not meet the standards, the item may not be used. However, the government office may submit a revised version of the rejected item for another review. As with the first submission, my Office has seven days to render a decision. Under the Act, all decisions of the Auditor General are final.

Approval of an advertisement is valid for one year, although my Office can rescind an approval if we determine that new circumstances leave the impression that the ad has become partisan.

A pre-review is also available to government offices wishing us to examine an early version of an ad. This can be a script or storyboard, provided that it reasonably reflects the item as it is intended to appear when completed. Pre-reviews help limit the time and money spent to develop ads containing material that could be deemed objectionable under the Act. A pre-review is strictly voluntary on our part and is outside the statutory requirements of the Act.

If material submitted for pre-review appears to violate the Act, we provide a brief explanation to the government office. If it appears to meet the standards of the Act, we so advise the government office. However, before the advertisement can be used, the government office must submit it in finished form so we can review it to ensure that it still meets the standards of the Act.

STANDARDS FOR PROPOSED ADVERTISEMENTS

In conducting its review, the Auditor General's Office determines whether the proposed advertisement meets the standards of the Act, which are:

- The item must be a reasonable means of achieving one or more of the following objectives:
  - to inform the public of current or proposed government policies, programs or services;
  - to inform the public of its rights and responsibilities under the law;
  - to encourage or discourage specific social behaviour in the public interest; and/or
  - to promote Ontario, or any part of the province, as a good place to live, work, invest, study or visit, or to promote any economic activity or sector of Ontario's economy.
- The item must include a statement that it is paid for by the government of Ontario.
- The item must not include the name, voice or image of a member of the Executive Council or a member of the Legislative Assembly (unless the primary target audience is located outside Ontario, in which case the item is exempt from this requirement).
- The item must not have a primary objective of fostering a positive impression of the governing party, or a negative impression of a person or entity critical of the government.
- The item must not be partisan; that is, in the opinion of the Auditor General, it cannot have as a primary objective the promotion of the partisan interests of the governing party.

OTHER FACTORS

In addition to the specific statutory standards above, the Act allows the Auditor General to consider additional factors to determine whether a primary objective of an item is to promote the partisan interests of the governing party. In general, these additional factors relate to the overall impression conveyed by the ad and how it is likely to be perceived. Consideration is given to whether it includes certain desirable attributes and avoids certain undesirable ones, as follows:

- Each item should:
  - contain subject matter relevant to government responsibilities (that is, the government should have direct and substantial responsibilities for the specific matters dealt with in the item);
  - present information objectively, in tone and content, with facts expressed clearly and

    accurately, using unbiased and objective language;
  - provide a balanced explanation of both the benefits and disadvantages when dealing with policy proposals where no decision has been made;
  - emphasize facts and/or explanations, rather than the political merits of proposals; and
  - enable the audience to distinguish between fact on the one hand and comment, opinion or analysis on the other.
- Items should not:
  - use colours, logos and/or slogans commonly associated with the governing party;
  - directly or indirectly attack, ridicule, criticize or rebut the views, policies or actions of those critical of the government;
  - intentionally promote, or be perceived as promoting, political-party interests (to this end, consideration is also given to the timing of the message, the audience it is aimed at and the overall environment in which the message will be communicated);
  - deliver self-congratulatory or image-building messages;
  - present pre-existing policies, services or activities as if they were new; or
  - use a uniform resource locator (URL) to direct readers, viewers or listeners to a web page with content that may not meet the standards of the Act (see "Websites" in the following section).

OTHER REVIEW PROTOCOLS

Since taking on responsibility for the review of government advertising, my Office has tried to clarify, in co-operation with the government, areas where the Act is silent. What follows is a brief description of the significant areas that have required clarification over the years.

Websites

Although websites are not specifically reviewable under the Act, we believe that a website, Quick Response Code or similar linkage used in an advertisement is an extension of the ad. Following discussions with the government, we came to an agreement soon after the legislation was passed that the first page, or "click," of a website cited in a reviewable item would be included in our review. We consider only the content of the first click, unless that first click is a gateway page, in which case we review the next page. We examine this page for any content that may not meet the standards of the Act. For example, the page must not include a minister's name or photo, any self-congratulatory messages or any content that attacks the policies or opinions of others.

Third-party Advertising

Government funds provided to third parties are sometimes used for advertising. The government and my Office have agreed that third-party advertising must be submitted for review if it meets all three of the following criteria:

- a government office provides the third party with funds intended to pay part or all of the cost of publishing, displaying, broadcasting or distributing the item;
- the government grants the third party permission to use the Ontario logo or another official provincial visual identifier in the item; and
- the government office approves the content of the item.

Social Media

Social media was in its infancy when the Act came into effect. However, its use has grown exponentially in recent years. Increasingly, our Office receives ads for approval with icons pointing to the government's presence on social-media sites. Although the Act is silent on this, we reached an agreement with the government that we will perform an initial scan of any social-media channel cited in an ad to ensure that there are no partisan references. However, we recognize that content on these networks changes frequently and can at times be beyond the control of the government office.

External Advisers

The Auditor General can, under the *Auditor General Act*, appoint an Advertising Commissioner to help fulfill the requirements of the *Government Advertising Act, 2004*. However, we have chosen instead to engage four external advisers to assist us as needed in the review of selected submissions. The following advisers provided services to my Office during the 2012/13 fiscal year:

- Rafe Engle (J.D., L.L.M.) is a Toronto lawyer specializing in advertising, marketing, communications and entertainment law for a diverse group of clients in the for-profit and not-for-profit sectors. He also acts as the outside legal counsel for Advertising Standards Canada, and as Chair of its Advertising Standards Council. Before studying law, Mr. Engle acquired a comprehensive background in media, advertising and communications while working in the advertising industry.
- Jonathan Rose is Associate Professor of Political Studies at Queen's University. He is a leading Canadian academic with interests in political advertising and Canadian politics. Professor Rose has written a book on government advertising in Canada and a number of articles on the way in which political parties and governments use advertising.
- Joel Ruimy is a communications consultant with three decades of experience as a journalist, editor and producer covering Ontario and national politics in print and television.
- John Sciarra is the former director of operations in my Office. He was instrumental in implementing our advertising review function and overseeing it until his retirement in 2010.

These advisers provided valuable assistance in our review of government advertising this past year.

Expenditures on Advertisements and Printed Matter

The *Auditor General Act* requires me to report annually to the Legislative Assembly on expenditures for advertisements and printed matter reviewable under the Act.

Figure 1 contains expenditure details of advertising campaigns reported to us by each ministry. In order to test the completeness and accuracy of the reported advertising expenditures, my Office reviewed selected payments to suppliers of advertising and creative services and their supporting documentation at selected ministries. We also performed certain compliance procedures with respect to the requirements of sections 2, 3, 4 and 8 of the Act. These deal with submission requirements and prohibition on the use of items pending the Auditor General's review. We found no matters of concern in our review work this year.

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Figure 1: Expenditures for Reviewable Advertisements and Printed Matter under the *Government Advertising Act, 2004*, April 1, 2012–March 31, 2013

Source of data: Ontario government offices

			Third-party Costs ($)				
Ministry/Campaign Title	# of Submissions	# of Items	Agency Fees	Production	Talent	Bulk Mail	Other
Aboriginal Affairs							
Aboriginal Business Directory [1]	2	2	–	–	–	–	–
Aboriginal Community Capital Grants Program [3]	1	1	–	4,031	–	–	–
Public Notice – Algonquin Land Claim	2	18	–	–	–	–	–
Agriculture and Food							
Foodland Ontario	2	39	–	–	177,100	–	–
Attorney General							
Courthouse Service Changes	1	4	–	–	–	–	–
Mundell Medal Awards	1	2	–	–	–	–	–
Citizenship and Immigration							
Global Experience Ontario	2	2	–	–	–	–	–
Order of Ontario	1	23	–	3,225	–	–	3,183
Remembrance Day Ceremony	1	12	–	–	–	–	601
Community and Social Services							
ODSP Office Relocation	1	1	–	–	–	–	–
Community Safety and Correctional Services							
Arrive Alive	1	1	–	–	–	–	–
Internet Safety	1	1	–	18,000	–	–	–
Internet Safety [2]	–	–	–	–	–	–	–
Public Notice – Death Investigations	4	40	–	3,800	–	–	5,250
RIDE	1	8	–	–	35,494	–	284
Economic Development, Trade and Employment							
Your Next Big Idea	6	26	318,743	188,597	–	–	51,030
Your Next Big Idea [1]	7	44	–	–	–	–	–
Your Next Big Idea [2]	–	–	65,285	38,629	–	–	2,686
Education							
Full-day Kindergarten	2	13	18,414	38,229	30,952	–	–
Finance							
2012 Ontario Savings Bonds	3	36	230,675	281,211	56,787	–	11,970
Healthy Homes Renovation Tax Credit	5	71	195,870	284,342	98,150	–	16,570
Ontario Trillium Benefit	2	27	51,620	63,467	2,981	–	5,480
Government Services							
ServiceOntario Office Changes	8	27	–	–	–	–	378
ServiceOntario Office Changes [2]	–	–	–	–	–	–	60

1. Reported in 2013, but more costs in 2014.
2. Reported in 2012, but more costs in 2013.
3. Costs based on estimates.

Media Costs ($)				Ad Value†	Campaign
TV	Radio	Print	Out-of-Home*	($)	Total ($)
–	–	3,858	–	–	3,858
–	–	–	–	–	4,031
–	21,019	24,510	–	–	45,529
1,265,098	1,579,352	–	26,162	–	3,047,712
–	–	1,962	–	–	1,962
–	–	3,310	–	–	3,310
–	–	1,250	–	1,413	2,663
–	–	132,358	–	–	138,766
–	–	15,378	–	–	15,979
–	–	931	–	–	931
–	–	1,530	–	–	1,530
52,030	–	–	–	–	70,030
13,550	–	–	–	–	13,550
–	–	209,491	–	–	218,541
87,093	–	–	–	–	122,871
–	–	1,904,995	118,997	4,750	2,587,112
–	–	646,026	456,184	665	1,102,875
–	–	1,835,360	-189,998	7,285	1,759,247
1,324,258	–	–	–	–	1,411,853
1,060,540	196,053	799,181	69,630	–	2,706,047
2,437,652	–	1,716,041	60,270	–	4,808,895
–	547,378	839,847	–	–	1,510,773
–	–	25,537	–	–	25,915
–	–	1,138	–	–	1,198

* Out-of-Home advertising includes billboards and transit posters.

† Ad Value denotes the value of an ad space provided at no cost, often where the government has provided funding for a related event.

	# of	# of	Third-party Costs ($)				
Ministry/Campaign Title	**Submissions**	**Items**	**Agency Fees**	**Production**	**Talent**	**Bulk Mail**	**Other**
Health and Long-Term Care							
Health Care Options	2	4	3,875	50,537	61,052	–	5,177
Healthy Changes	1	2	129,200	449,014	22,476	–	2,092
Seasonal Influenza	3	24	86,615	323,025	77,507	–	2,697
Seasonal Influenza [1,5]	1	3	–	2,060	–	–	–
Smoke-Free Ontario	1	8	–	32,936	–	–	–
Stroke Warning Signs [2]	–	–	–	–	–	–	–
Labour							
Health and Safety at Work	1	1	–	1,000	–	–	–
Municipal Affairs and Housing							
Growing the Greenbelt	1	5	–	–	–	–	–
Policy Statement Review	1	2	–	–	–	–	–
Natural Resources							
50 Million Trees Program [1]	3	8	–	–	–	–	–
Advisory Committee Seeks New Members	1	1	–	–	–	–	–
FireSmart Wildfire Prevention [2]	–	–	–	480	–	–	35
Fish Art Contest	1	1	–	275	–	–	–
Fisheries Management Plan [1]	2	4	–	–	–	–	89
Land Management	1	1	–	–	–	–	–
Ontario Parks	6	7	–	–	–	–	–
Ontario Parks [1]	1	2	–	–	–	–	–
Ontario Parks [2]	–	–	–	–	–	–	–
Outdoors Card	1	1	–	175	–	–	–
Service Changes to District Office	2	2	–	–	–	–	–
Waste Disposal Site Closure	1	1	–	–	–	–	–
Water Management Plan	2	3	–	–	–	–	89
Wildfire Prevention [4]	–	8	–	–	–	–	–
Wildlife Habitat Restoration [1]	1	2	–	–	–	–	50
Northern Development and Mines							
New Mining Act Regulations	1	2	–	–	–	–	–
Tourism, Culture and Sport							
Fort William Historical Park	18	34	–	13,795	–	6,388	–
Fort William Historical Park [1]	2	4	–	–	–	–	–
Fort William Historical Park [2]	–	–	–	–	–	–	–
Huronia Historical Parks	16	22	–	2,720	–	–	–
Huronia Historical Parks [1]	1	1	–	600	–	–	–
Training, Colleges and Universities							
30% Off Ontario Tuition	2	16	296,712	441,082	171,015	–	–
Student Permit Regulations	1	1	–	–	–	–	–

1. Reported in 2013, but more costs in 2014.
2. Reported in 2012, but more costs in 2013.
4. Contravention—not reviewed, but reported by Ministry.
5. Contravention—ad published before being reviewed, then submitted and approved.

Media Costs ($)				Ad Value†	Campaign
TV	Radio	Print	Out-of-Home*	($)	Total ($)
1,273,365	–	–	–	–	1,394,006
548,243	–	–	–	–	1,151,025
960,826	–	–	166,835	–	1,617,505
–	–	–	–	–	2,060
–	–	–	411,415	–	444,351
849,000	–	–	–	–	849,000
–	–	–	–	4,100	5,100
–	–	10,526	–	–	10,526
–	–	13,661	–	–	13,661
–	–	–	–	22,894	22,894
–	–	1,210	–	–	1,210
–	–	8,443	–	–	8,958
–	–	–	–	12,516	12,791
–	–	–	–	–	89
–	–	505	–	–	505
–	–	30,842	–	–	30,842
–	–	–	–	–	0
–	–	1,528	–	–	1,528
–	–	–	–	16,682	16,857
–	–	1,695	–	–	1,695
–	–	334	–	–	334
–	–	5,966	–	–	6,055
–	22,708	1,699	–	–	24,407
–	–	–	–	–	50
–	–	12,120	–	–	12,120
–	37,923	43,253	150	–	101,509
–	–	4,895	41,872	–	46,767
–	–	1,115	–	–	1,115
44,171	30,011	36,897	–	–	113,799
–	–	–	–	–	600
2,406,903	599,197	–	–	–	3,914,909
–	–	23,620	–	–	23,620

* Out-of-Home advertising includes billboards and transit posters.

† Ad Value denotes the value of an ad space provided at no cost, often where the government has provided funding for a related event.

	# of	# of	Third-party Costs ($)				
Ministry/Campaign Title	**Submissions**	**Items**	**Agency Fees**	**Production**	**Talent**	**Bulk Mail**	**Other**
Transportation							
Pedestrian Safety [1]	1	2	–	–	–	–	–
Veteran Graphic Licence Plates	1	2	8,000	1,140	6,729	–	317
Total	**130**	**572**	**1,405,009**	**2,242,370**	**740,243**	**6,388**	**108,038**

1. Reported in 2013, but more costs in 2014.

Media Costs ($)				Ad Value† ($)	Campaign Total ($)
TV	Radio	Print	Out-of-Home*		
–	–	–	–	5,000	5,000
584,425	–	10,748	–	–	611,359
12,907,154	**3,033,641**	**8,371,760**	**1,161,517**	**75,305**	**30,051,425**

* Out-of-Home advertising includes billboards and transit posters.

† Ad Value denotes the value of an ad space provided at no cost, often where the government has provided funding for a related event.

Chapter 6

The Standing Committee on Public Accounts

Role of the Committee

The Standing Committee on Public Accounts (Committee) is empowered to review and report to the House its observations, opinions and recommendations on reports from the Auditor General and on the Public Accounts, which are deemed to have been permanently referred to the Committee as they become available. The Committee examines, assesses and reports to the Legislative Assembly on a number of issues, including the economy and efficiency of government and broader public-sector operations and the effectiveness of programs in achieving their objectives. The Committee typically holds a number of hearings throughout the year relating to matters raised in our Annual Report or our special reports and presents its observations and recommendations to the Legislative Assembly. Under sections 16 and 17 of the *Auditor General Act*, the Committee may also request that the Auditor General examine any matter in respect of the Public Accounts or undertake a special assignment on its behalf.

Appointment and Composition of the Committee

Members of the Committee are appointed by a motion of the Legislature. The number of members from any given political party reflects that party's representation in the Legislative Assembly. All members except the Chair are entitled to vote on motions, while the Chair may vote only to break a tie. The Committee is normally established for the duration of the Parliament, from the opening of its first session immediately following a general election to its dissolution.

At the time of our Annual Report last year, the Committee had been dissolved, and the Legislative Assembly had been prorogued.

On February 20, 2013, the Committee was reactivated by motion of the Legislature under Section 113 of the Standing Orders of the Legislative Assembly, with the following members:

Norm Miller, Chair, Progressive Conservative
Toby Barrett, Vice-chair, Progressive Conservative
Dipika Damerla, Liberal
France Gélinas, New Democrat
Helena Jaczek, Liberal
Phil McNeely, Liberal
Jerry Ouellette, Progressive Conservative
Shafiq Qaadri, Liberal
Jagmeet Singh, New Democrat

On September 9, 2013, Committee membership was revised by a motion of the Legislature as follows:

Norm Miller, Chair, Progressive Conservative
Toby Barrett, Vice-chair, Progressive Conservative
Lorenzo Berardinetti, Liberal
France Gélinas, New Democrat
Helena Jaczek, Liberal
Bill Mauro, Liberal
Phil McNeely, Liberal
Jerry Ouellette, Progressive Conservative
Jagmeet Singh, New Democrat

AUDITOR GENERAL'S ADVISORY ROLE WITH THE COMMITTEE

In accordance with section 16 of the *Auditor General Act*, the Auditor General, sometimes accompanied by senior staff, attends all committee meetings to assist the Committee with its reviews and hearings relating to our Annual Report, Ontario's Public Accounts and any special reports issued by our Office.

COMMITTEE PROCEDURES AND OPERATIONS

The Committee may meet weekly when the Legislative Assembly is sitting, and, with the approval of the House, at any other time of its choosing. All meetings are open to the public except for those dealing with the Committee's agenda, audit report briefing or the preparation of its reports. All public committee proceedings are recorded in Hansard, the official verbatim report of government debates, speeches and other Legislative Assembly proceedings.

The Committee identifies matters of interest from our Annual Report and our special reports, and conducts hearings on them. It typically reviews reports from the value-for-money chapter of our Annual Report. Normally, each of the three political parties annually selects two or three audits or other sections from our Annual Report for Committee review.

At each hearing, the Auditor General, along with the Committee's researcher, briefs the Committee on the applicable section from our Report and the responses to our findings and recommendations from the ministry, Crown agency or broader public-sector organization that was the subject of the audit or review. The Committee typically asks senior officials from the auditee(s) to appear at the hearings and respond to questions from committee members. Because our Annual Report deals with operational, administrative and financial rather than policy matters, ministers are rarely asked to attend. Once its hearings are completed, the Committee provides its comments and recommendations to the Legislative Assembly.

The Clerk of the Committee also requests that those auditees that were not selected for hearings update the Committee on actions they are taking to address the recommendations made and concerns raised in our reports.

MEETINGS HELD

The Committee met 14 times during the February 2013–September 2013 period. A few of the meetings were administrative in nature and the others related to our Office's March 2012 special report, *Ornge Air Ambulance and Related Services*. These meetings included a number of sessions in which witnesses were called to testify before the Committee and respond to questions.

REPORTS OF THE COMMITTEE

The Committee issues reports and letters on its work for tabling in the Legislative Assembly. These reports and letters summarize the information gathered by the Committee during its meetings and include the Committee's comments and recommendations. Once tabled, all committee reports and letters are publicly available through the Clerk of the Committee or online at **www.ontla.on.ca**.

Committee reports typically include recommendations and request that management of the ministry, agency or broader public-sector organization provide the Committee Clerk with responses within a stipulated time frame. Our Office reviews these recommendations and responses, and we take them into consideration in any subsequent follow-up section or audits of that operational area.

In June 2013, the Committee released its first interim report on our Office's March 2012 special report, *Ornge Air Ambulance and Related Services*. This report summarized the results of the 20 committee hearings held in 2012, including ongoing concerns identified by the Committee. The Committee intends to issue a second interim report for the 2013 hearings, and a final report containing the Committee's recommendations.

CANADIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES

The Canadian Council of Public Accounts Committees (CCPAC) consists of delegates from federal, provincial and territorial public accounts committees from across Canada. CCPAC holds a joint annual conference with the Canadian Council of Legislative Auditors to discuss issues of mutual interest.

The 34th annual conference was hosted by Saskatchewan and was held in Regina from August 24 to 27, 2013.

Chapter 7

The Office of the Auditor General of Ontario

The Office of the Auditor General of Ontario (Office) serves the Legislative Assembly and the citizens of Ontario by conducting value-for-money and financial audits and reviews, and reporting on them. In so doing, the Office helps the Legislative Assembly hold the government, its administrators and grant recipients accountable for how prudently they spend public funds, and for the value they obtain for the money spent on behalf of Ontario taxpayers.

The work of the Office is performed under the authority of the *Auditor General Act*. In addition, under the *Government Advertising Act, 2004*, the Auditor General is responsible for reviewing and deciding whether or not to approve certain types of proposed government advertising (see Chapter 5 for more details on the Office's advertising review function). Both acts can be found at **www.e-laws.gov.on.ca.**

In an election year the Auditor General is also required to review and deliver an opinion on the reasonableness of the government's pre-election report on its expectations for the financial performance of the province over the next three fiscal years.

General Overview

VALUE-FOR-MONEY AUDITS IN THE ANNUAL REPORT

About two-thirds of the Office's work relates to value-for-money auditing, which assesses how well a given "auditee" (the entity that we audit) manages and administers its programs or activities. Value-for-money audits delve into the auditee's underlying operations to assess the level of service being delivered to the public and the relative cost-effectiveness of the service. The Office has the authority to conduct value-for-money audits of the following entities:

- Ontario government ministries;
- Crown agencies;
- Crown-controlled corporations; and
- organizations in the broader public sector that receive government grants (for example, agencies that provide mental-health services, children's aid societies, community colleges, hospitals, long-term-care homes, school boards, and universities).

The *Auditor General Act* (Act) [in subclauses 12(2)(f)(iv) and (v)] identifies the criteria to be considered in this assessment:

- Money should be spent with due regard for economy.

- Money should be spent with due regard for efficiency.
- Appropriate procedures should be in place to measure and report on the effectiveness of programs.

The Act requires that the Auditor General report on any instances he or she may have observed where the three value-for-money criteria above have not been met. More specific criteria that relate directly to the operations of the particular ministry, program or organization being audited are also developed for each value-for-money audit.

The Act also requires that he or she report on instances where the following was observed:

- Accounts were not properly kept or public money was not fully accounted for.
- Essential records were not maintained or the rules and procedures applied were not sufficient to:
  - safeguard and control public property;
  - check effectively the assessment, collection and proper allocation of revenue; or
  - ensure that expenditures were made only as authorized.
- Money was expended for purposes other than the ones for which it was appropriated.

Assessing the extent to which the auditee was controlling against these risks is technically "compliance" audit work, but is generally incorporated into both value-for-money audits and "attest" audits (discussed in a later section). Other compliance work that is typically included in our value-for-money audits is:

- identifying the key provisions in legislation and the authorities that govern the auditee or the auditee's programs and activities as well as those that the auditee's management is responsible for administering; and
- performing the tests and procedures we deem necessary to obtain reasonable assurance that the auditee's management has complied with these key legislation and authority requirements.

Government programs and activities are the result of government policy decisions. Thus, we could say that our value-for-money audits focus on how well management is administering and executing government policy decisions. It is important to note, however, that in doing so we do not comment on the merits of government policy. Rather, it is the Legislative Assembly that holds the government accountable for policy matters by continually monitoring and challenging government policies through questions during legislative sessions and through reviews of legislation and expenditure estimates.

In planning, performing and reporting on our value-for-money work, we follow the relevant professional standards established by the Chartered Professional Accountants of Canada (formerly the Canadian Institute of Chartered Accountants). These standards require that we have processes for ensuring the quality, integrity and value of our work. Some of the processes we use are described in the following sections.

Selecting What to Audit

The Office audits major ministry programs and activities at approximately five- to seven-year intervals. We do not audit organizations in the broader public sector and Crown-controlled corporations on the same cycle because there are so many of them, and their activities are numerous and diverse. Since our mandate expanded in 2004 to allow us to examine these auditees, our audits have covered a wide range of topics in several sectors, including health (hospitals, long-term-care homes, and mental-health service providers), education (school boards, universities and colleges), and social services (children's aid societies and social service agencies), as well as several large Crown-controlled corporations.

In selecting what program, activity or organization to audit each year, we consider how great the risk is that an auditee is not meeting the three value-for-money criteria, which results in potential negative consequences for the public it serves. To help us choose higher-risk audits, we consider factors such as:

- the results of previous audits and related follow-ups;
- the total revenues or expenditures involved;
- the impact of the program, activity or organization on the public;
- the complexity and diversity of the auditee's operations;
- recent significant changes in the auditee's operations; and
- the significance of the issues an audit might identify.

We also consider whether the benefits of conducting the audit justify its cost.

Another factor we take into account in the selection process is the work the auditee's internal auditors have completed or planned. Depending on what that work consists of, we may defer an audit or change our audit's scope to avoid duplication of effort. In other cases, we do not diminish the scope of our audit, but we do rely on and present the results of internal audit work in our audit report.

Setting Audit Objectives, Audit Criteria, and Assurance Levels

When we begin an audit, we set an objective for what we want to achieve. We then develop suitable audit criteria that cover the key systems, policies and procedures that should be in place and operating effectively. Developing criteria involves extensive research into sources such as recognized bodies of expertise; other bodies or jurisdictions delivering similar programs and services; management's own policies and procedures; applicable criteria successfully applied in other audits or reviews; and applicable laws, regulations and other authorities.

To further ensure their suitability, the criteria we develop are discussed with the auditee's senior management at the planning stage of the audit.

The next step is to design and conduct tests and procedures to address our audit objective and criteria, so that we can reach a conclusion regarding our audit objective and make observations and recommendations. Each audit report has a section entitled "Audit Objective and Scope," in which the audit objective is stated and the scope of our work is explained.

Conducting tests and procedures to gather information has its limitations, so we cannot provide what is called an "absolute level of assurance" that our audit work identifies all significant matters. Other factors also contribute to this. For example, we may conclude that the auditee had a control system in place for a process or procedure that was working effectively to prevent a particular problem from occurring, but auditee management or staff might be able to circumvent such control systems, so we cannot guarantee that the problem will never arise. Also, much of the evidence available for concluding on our objective is more persuasive than it is conclusive, and we must rely on professional judgment in much of our work—for example, in interpreting information.

For all these reasons, the assurance that we plan for our work to provide is at an "audit level"—the highest reasonable level of assurance that we can obtain using our regular audit procedures. Specifically, an audit level of assurance is obtained by interviewing management and analyzing the information it provides; examining and testing systems, procedures and transactions; confirming facts with independent sources; and, where necessary because we are examining a highly technical area, obtaining independent expert assistance and advice.

With respect to the information that management provides, under the Act we are entitled to access all relevant information and records necessary to the performance of our duties. Out of respect for the principle of Cabinet privilege, we do not seek access to the deliberations of Cabinet. However, the Office can access virtually all other information contained in Cabinet submissions or decisions that we deem necessary to fulfill our responsibilities under the Act.

Infrequently, the Office will perform a review rather than an audit. A review provides a moderate level of assurance, obtained primarily through inquiries and discussions with management;

analyses of information provided by management; and only limited examination and testing of systems, procedures and transactions. We perform reviews when, for example:

- it would be prohibitively expensive or unnecessary to provide a higher level of assurance; or
- other factors relating to the nature of the program or activity make it more appropriate to conduct a review than an audit.

In the 2011 audit year, we conducted such a review of the electricity sector stranded debt, which complemented our related value-for-money audits of renewable energy initiatives and regulatory oversight of the electricity sector. Our 2009 review of the Unfunded Liability of the Workplace Safety and Insurance Board was well received by the Standing Committee on Public Accounts, which has shown an ongoing interest in the actions being taken to reduce that liability. In 2012, we reviewed the process used to review and approve the province's annual expenditure Estimates, and ways to make the process more effective.

Communicating with Management

To help ensure the factual accuracy of our observations and conclusions, staff from our Office communicate with the auditee's senior management throughout the value-for-money audit or review. Early in the process, our staff meet with management to discuss the objective and criteria, and the focus, of our work in general terms. During the audit or review, our staff meet with management to review progress and ensure open lines of communication. At the conclusion of on-site work, management is briefed on our preliminary results. A draft report is then prepared and discussed with the auditee's senior management, which provides written responses to our recommendations. These are discussed and incorporated into the draft report, which the Auditor General finalizes with the deputy minister or head of the agency, corporation or grant-recipient organization, after which the report is published in Chapter 3 of the Annual Report.

SPECIAL REPORTS

As required by the Act, the Office reports on its audits in an Annual Report to the Legislative Assembly. In addition, the Office may make a special report to the Legislative Assembly at any time, on any matter that, in the opinion of the Auditor General, should not be deferred until the Annual Report.

Two sections of the Act authorize the Auditor General to undertake additional special work. Under section 16, the Standing Committee on Public Accounts may resolve that the Auditor General must examine and report on any matter respecting the Public Accounts. Under section 17, the Legislative Assembly, the Standing Committee on Public Accounts, or a minister of the Crown may request that the Auditor General undertake a special assignment. However, these special assignments are not to take precedence over the Auditor General's other duties, and the Auditor General can decline such an assignment requested by a minister if he or she believes it conflicts with other duties.

In recent years when we have received a special request under section 16 or 17, our normal practice has been to obtain the requester's agreement that the special report will be tabled in the Legislature on completion and made public at that time. This year the following special reports were requested under section 17 by the Standing Committee on Public Accounts:

- *Mississauga Power Plant Cancellation Costs* (tabled in April 2013);
- Ontario Northland Transportation Commission Divestiture Savings Estimates (in progress at the time this chapter was written); and
- Ontario Lottery and Gaming Corporation Modernization Plan Implementation and Cancellation of the Slots at Race Tracks Program (in progress at the time this chapter was written).

At the request of the Premier, also under section 17, we prepared a special report on the *Oakville*

Power Plant Cancellation Costs, which was tabled in October 2013.

ATTEST AUDITS

Attest audits are examinations of an auditee's financial statements. In such audits, the auditor expresses his or her opinion on whether the financial statements present information on the auditee's operations and financial position in a way that is fair and that complies with certain accounting policies (in most cases, with Canadian generally accepted accounting principles). As mentioned in the overview of value-for-money audits, compliance audit work is often incorporated into attest audit work. Specifically, we assess the controls for managing risks relating to improperly kept accounts; unaccounted-for public money; lack of recordkeeping; inadequate safeguarding of public property; deficient procedures for assessing, collecting and properly allocating revenue; unauthorized expenditures; and not spending money on what it was intended for.

The Auditees

Every year, we audit the financial statements of the province and the accounts of many agencies of the Crown. Specifically, the Act [in subsections 9(1), (2), and (3)] requires that:

- the Auditor General audit the accounts and records of the receipt and disbursement of public money forming part of the province's Consolidated Revenue Fund, whether held in trust or otherwise;
- the Auditor General audit the financial statements of those agencies of the Crown that are not audited by another auditor;
- public accounting firms appointed as auditors of certain agencies of the Crown perform their audits under the direction of the Auditor General and report their results to the Auditor General; and
- public accounting firms auditing Crown-controlled corporations deliver to the Auditor General a copy of the audited financial statements of the corporation and a copy of the accounting firm's report of its findings and recommendations to management (typically contained in a management letter).

Chapter 2 discusses this year's attest audit of the province's consolidated financial statements.

We do not discuss the results of attest audits of agencies and Crown-controlled corporations in this report. Agency legislation normally stipulates that the Auditor General's reporting responsibilities are to the agency's board and the minister(s) responsible for the agency. Our Office also provides copies of our independent auditor's reports and of the related agency financial statements to the deputy minister of the associated ministry, as well as to the Secretary of the Treasury Board.

When an agency attest audit notes areas requiring management to make improvements, the auditor prepares a draft findings report and discusses it with senior management. The report is revised to reflect the results of that discussion. After the draft report is cleared and the agency's senior management responds to it in writing, the auditor prepares a final report, which is discussed with the agency's audit committee (if one exists). If a matter were so significant that we felt it should be brought to the attention of the Legislature, we would include it in our Annual Report.

Part 1 of Exhibit 1 lists the agencies that were audited during the 2012/13 audit year. The Office contracts with public accounting firms to audit a number of these agencies on the Office's behalf. Part 2 of Exhibit 1 and Exhibit 2 list the agencies of the Crown and the Crown-controlled corporations, respectively, that public accounting firms audited during the 2012/13 audit year. Exhibit 3 lists organizations in the broader public sector whose accounts are also audited by public accounting firms and included in the province's consolidated financial statements.

OTHER STIPULATIONS OF THE *AUDITOR GENERAL ACT*

The *Auditor General Act* came about with the passage on November 22, 2004, of the *Audit Statute Law Amendment Act* (Amendment Act), which received Royal Assent on November 30, 2004. The purpose of the Amendment Act was to make certain changes to the *Audit Act* to enhance our ability to serve the Legislative Assembly. The most significant of these changes was the expansion of our Office's value-for-money audit mandate to organizations in the broader public sector that receive government grants. This *2013 Annual Report* marks the eighth year of our expanded audit mandate.

Appointment of Auditor General

Under the *Auditor General Act* (Act), the Auditor General is appointed as an officer of the Legislative Assembly by the Lieutenant Governor in Council—that is, the Lieutenant Governor appoints the Auditor General on the advice of the Executive Council (the Cabinet). The appointment is made "on the address of the Assembly," meaning that the appointee must be also approved by the Legislative Assembly. The Act also requires that the Chair of the Standing Committee on Public Accounts—who, under the Standing Orders of the Legislative Assembly, is a member of the official opposition—be consulted before the appointment is made (for more information on the Committee, see Chapter 6). As in the past, an open-competition selection process was conducted, which included advertising the position in national publications and in-depth interviews conducted by a committee of representatives from the three political parties in the Assembly, including the Chair of the Standing Committee on Public Accounts; the Speaker and the Clerk of the Legislative Assembly; and an external member from the accounting profession. The Committee then made its recommendation to the Legislative Assembly.

Independence

The Auditor General and staff of the Office are independent of the government and its administration. This independence is an essential safeguard that enables the Office to fulfill its auditing and reporting responsibilities objectively and fairly.

The Auditor General is appointed to a 10-year, non-renewable term, and can be dismissed only for cause by the Legislative Assembly. Consequently, the Auditor General maintains an arm's-length distance from the government and the political parties in the Legislative Assembly and is thus free to fulfill the Office's legislated mandate without political pressure.

The Board of Internal Economy—an all-party legislative committee that is independent of the government's administrative process—reviews and approves the Office's budget, which is subsequently laid before the Legislative Assembly. As required by the Act, the Office's expenditures relating to the 2012/13 fiscal year have been audited by a firm of chartered accountants, and the audited financial statements of the Office are submitted to the Board and subsequently must be tabled in the Legislative Assembly. The audited statements and related discussion of expenditures for the year are presented at the end of this chapter.

CONFIDENTIALITY OF WORKING PAPERS

In the course of our reporting activities, we prepare draft audit reports and findings reports that are considered an integral part of our audit working papers. Under section 19 of the Act, these working papers do not have to be laid before the Legislative Assembly or any of its committees. As well, our Office is exempt from the *Freedom of Information and Protection of Privacy Act*, which means our draft reports and audit working papers, including all information obtained from an auditee during the course of an audit, cannot be accessed from our Office, thus further ensuring confidentiality.

CODE OF PROFESSIONAL CONDUCT

The Office has a Code of Professional Conduct to encourage staff to maintain high professional standards and ensure a professional work environment. The Code is intended to be a general statement of philosophy, principles and rules regarding conduct for employees of the Office, who have a duty to conduct themselves in a professional manner and to strive to achieve the highest standards of behaviour, competence and integrity in their work.

The Code explains why these expectations exist and further describes the Office's responsibilities to the Legislative Assembly, the public and our auditees. The Code also provides guidance on disclosure requirements and the steps to be taken to avoid conflict-of-interest situations. All employees are required to complete an annual conflict-of-interest declaration and undergo a police security check upon being hired and every five years thereafter.

Office Organization and Personnel

The Office is organized into portfolio teams, intended to align with related audit entities and to foster expertise in the various areas of audit activity. The portfolios, loosely based on the government's own ministry organization, are each headed by a Director, who oversees and is responsible for the audits within the assigned portfolio. Assisting the Directors and rounding out the teams are a number of audit Managers and various other audit staff (see Figure 1).

The Auditor General, the Deputy Auditor General, the Directors, and the Managers of Human Resources and of Communications and Government Advertising make up the Office's Senior Management Committee.

Canadian Council of Legislative Auditors

This year, Saskatchewan hosted the 41st annual meeting of the Canadian Council of Legislative Auditors (CCOLA) in Regina, from August 25 to 27, 2013. This annual gathering has, for a number of years, been held jointly with the annual conference of the Canadian Council of Public Accounts Committees. It brings together legislative auditors and members of the Standing Committees on Public Accounts from the federal government and the provinces and territories, and provides a useful forum for sharing ideas and exchanging information.

International Visitors

As an acknowledged leader in value-for-money auditing, the Office periodically receives requests to meet with visitors and delegations from abroad to discuss the roles and responsibilities of the Office and to share our value-for-money and other audit experiences. During the audit year covered by this report, the Office hosted delegations from Vietnam (2), Gauteng Province in South Africa, and Yunnan Province in China, as well as visitors from Taiwan, Bangladesh, Cameroon, Ghana, Tanzania and Vietnam.

Results Produced by the Office This Year

The 2012/13 fiscal year was another successful year for the Office, particularly given the unprecedented additional work requested this year.

In total, we conducted 10 value-for-money audits (see Chapter 3), issued two special reports under section 17, and completed the majority of work on

Figure 1: Office Organization, September 30, 2013

Auditor General

Bonnie Lysyk[1]

Deputy Auditor General

Gary Peall

Human Resources

Barbara Sturrock, Manager
Shayna Whiteford

Quality Assurance and Special Projects

Paul Amodeo, Manager
Kristin Snowden, Manager
Shariq Saeed

Standards and Research

Rebecca Yosipovich, Manager

Operations

Administration
- Maureen Bissonnette
- Sohani Myers
- Shanta Persaud
- Christine Wu

Communications and Government Advertising Review
- Christine Pedias, Manager
- Mariana Green
- Shirley McGibbon
- Tiina Randoja

Information Technology
- Shams Ali
- Peter Lee

Financial Statement Audit Portfolios and Staff[2]

Crown Agencies (1), Finance

John McDowell, Director
Walter Allan, Manager
Tom Chatzidimos
Kandy Fletcher
Mary Romano
Megan Sim

Crown Agencies (2)

Laura Bell, Director
Teresa Carello, Manager
Izabela Beben
Margaret Chen
Constantino De Sousa
Roger Munroe
Zachary Thomas
Cynthia Tso

Public Accounts

Bill Pelow, Director
Sandy Chan[3], Manager
Loretta Cheung
Allen Fung[4]
Georgegiana Tanudjaja
Whitney Wah

Value-for-money Audit Porfolios and Staff[2]

Community and Social Services, and Revenue

Vanna Gotsis, Director
Sandy Chan[3], Manager
Celia Yeung, Manager
Tino Bove
Inna Guelfand
Jennifer Lee
Michael Okulicz
Gurinder Parmar
Zhenya Stekovic
Janet Wan

Education and Training

Gerard Fitzmaurice, Director
Zahra Jaffer, Manager (Acting)
Emanuel Tsikritsis, Manager
Michael Baxter
Johan Boer
Rumi Janmohamed[4]
Michael Katsevman
Nina Khant
Tara Petroff
Mythili Pratheeskar
Mark Smith
Ellen Tepelenas
Dora Ulisse

Energy and Health

Rudolph Chiu, Director
Gigi Yip, Manager
Denise Young, Manager
Arujunan Balakrishnan
Ariane Chan
Anita Cheung
Helen Chow
Lisa Li[4]
Oscar Rodriguez
Pasha Sidhu
Alla Volodina

Environment and Natural Resources

Gus Chagani, Director
Kim Cho, Manager
Nick Stavropoulos, Manager
Bartosz Amerski
Marcia DeSouza
Katrina Exaltacion
Lauren Hanna
Kristy Ho
Li-Lian Koh
Shreya Shah
Alexander Truong
Jing Wang

Health and Long-term-care Providers

Susan Klein, Director
Wendy Cumbo, Manager
Naomi Herberg, Manager
Kevin Aro
Sally Chang
Dimitar Dimitrov
Jennifer Fung
Ingrid Goh
Veronica Ho
Linde Qiu
Tiffany Yau

Justice and Regulatory

Vince Mazzone, Director
Rick MacNeil, Manager
Fraser Rogers, Manager
Vivian Sin, Manager
Jesse Dufour
Rashmeet Gill
Kiran Grewal
Tanmay Gupta
Alfred Kiang
Margaret Lam
Wendy Ng
Alice Nowak
Ruchir Patel
Brian Wanchuk
Robyn Wilson
Michael Yarmolinsky

1. Effective September 3, 2013, replacing retiring Auditor General Jim McCarter.
2. Staff below manager level shift between portfolios to address seasonal financial statement audit workload pressures.
3. Manager's time is divided 50/50 between two portfolios.
4. A member of the portfolio who contributed to this Annual Report but left the Office before September 30, 2013.

two other requests with the reports to follow. One planned value-for-money audit, Civil Courts, had to be postponed to the following year to allow completion of the more urgent special work requested, all while holding the line on our expenditures.

As mentioned in the earlier Attest Audits section, we are responsible for auditing the province's consolidated financial statements (further discussed in Chapter 2), as well as the statements of more than 40 Crown agencies. We again met all of our key financial-statement audit deadlines while continuing our investment in training to successfully implement significant revisions to accounting and assurance standards and methodology for conducting our financial-statement audits.

We successfully met our review responsibilities under the *Government Advertising Act, 2004*, as further discussed in Chapter 5.

The results produced by the Office this year would clearly not have been possible without the hard work and dedication of our staff, as well as that of our agent auditors, contract staff and expert advisers.

Financial Accountability

The following discussion and our financial statements outline the Office's financial results for the 2012/13 fiscal year. This is the second year our financial statements have been prepared in accordance with public-sector accounting standards. In accordance with these standards, we have presented a breakdown of our expenses by the main activities our Office is responsible for: value-for-money and special audits, financial-statement audits, and the review of government advertising. This breakdown is provided in Note 9 to the financial statements and indicates that almost two-thirds of our resources were used to perform value-for-money and special audits, a stated priority of the Standing Committee on Public Accounts. About one-third was devoted to completing the audits of the annual financial statements of the province and some 40 of its agencies. The remaining 1% was devoted to our statutory responsibilities under the *Government Advertising Act*. These percentages changed only slightly from 2012, mostly because the review of the Pre-Election Report early in the 2011/12 fiscal year was not required this year. The time previously needed for the Pre-Election Report was required this year to help several agencies to adopt Public Sector Accounting Standards for the first time.

Figure 2 provides a comparison of our approved budget and expenditures over the last five years. Figure 3 presents the major components of our spending and shows that over 74% (72% in 2011/12) related to salary and benefit costs for

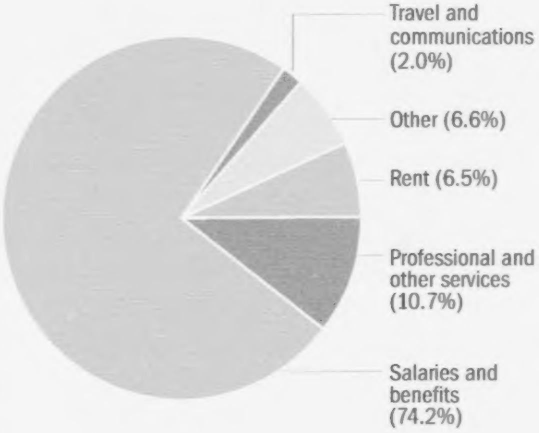
Figure 2: Five-year Comparison of Spending (Accrual Basis) ($ 000)
Prepared by the Office of the Auditor General of Ontario

	2008/09	2009/10	2010/11	2011/12	2012/13
Approved budget	**16,245**	**16,224**	**16,224**	**16,224**	**16,224**
Actual expenses					
Salaries and benefits	10,279	10,862	11,228	11,039	11,390
Professional and other services	1,776	1,489	1,491	1,667	1,643
Rent	1,051	1,069	1,036	1,016	989
Travel and communications	332	360	337	303	309
Other	1,096	1,073	1,071	1,216	1,015
Total	**14,534**	**14,853**	**15,163**	**15,241**	**15,346**
Returned to province*	**1,561**	**1,498**	**1,222**	**997**	**1,000**

* These amounts are typically slightly different than the excess of appropriation over expenses as a result of non-cash expenses (such as amortization of capital assets, deferred lease inducements and employee future benefit accruals).

Figure 3: Spending by Major Expenditure Category, 2012/13)

Prepared by the Office of the Auditor General of Ontario



staff, while professional and other services, and rent, comprised most of the remainder. These proportions have been relatively stable in recent years.

Overall, our expenses increased just 0.7% (0.5% in 2011/12) and were again significantly under budget. Our budget has been frozen over the last five years, yet we have successfully fulfilled our Office mandate while returning unspent funds totalling $6.3 million. The main reason for this is that we have historically faced challenges in hiring and retaining qualified professional staff in the competitive Toronto job market—our public-service salary ranges have simply not kept pace with compensation increases for such professionals in the private sector. In addition, we have been reluctant to fully staff up because of the province's tight fiscal circumstances, and the fact that there have been no increases to our budget over the last four years.

A more detailed discussion of the changes in our expenses and some of the challenges we face follows.

SALARIES AND BENEFITS

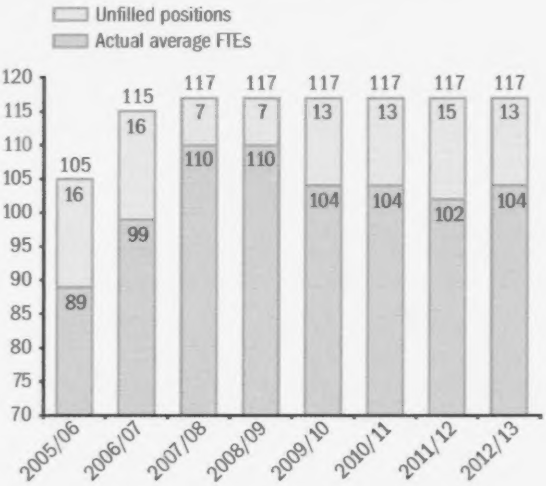
Our salary costs increased 3.7% after a decline of 3.2% the prior year, while benefit costs rose 0.9% following a 5.2% increase the previous year.

With the legislated freeze on salary ranges, any increases due to promotions earned by trainees who obtained their professional accounting designations during the year, and for those staff who demonstrated the ability to take on additional responsibilities, continued to be offset by delays in replacing retiring and departing staff. However, new hires accounted for much of the increase this year, with our average staffing level rising by two staff to 106 from the prior year of 104, as shown in Figure 4. We continue to employ fewer student trainees, as students who earned their professional accounting designation during the year remained with us. To be competitive, we must pay our newly qualified staff considerably more than they were paid as trainees, because salaries for qualified accountants rise fairly quickly in the first five years following qualification.

With the economic uncertainty and the continuing need for cost containment, we remained cautious by delaying the replacement of retiring senior staff and hiring experienced but more junior staff as opportunities arose. Staff departures continue as the market for professional accountants has remained fairly robust despite economic uncertainties. Our hiring continues to be primarily at more junior levels, where our salaries and benefits are

Figure 4: Staffing, 2005/06–2012/13

Prepared by the Office of the Auditor General of Ontario



competitive. We quickly fall behind private- and broader-public-sector salary scales for more experienced professional accountants. This is one reason that, as Figure 4 shows, we still have a number of unfilled positions. The growing complexity of our audits requires highly qualified, experienced staff as much as possible. The challenge of maintaining and enhancing our capacity to perform these audits will only increase as more of our most experienced staff retire over the next few years.

Under the Act, our salary levels must be comparable to the salary ranges of similar positions in the government. These ranges remain uncompetitive with the salaries that both the not-for-profit and the private sectors offer. According to the most recent survey by the Canadian Institute of Chartered Accountants (now known as the Chartered Professional Accountants of Canada), published in 2011, average salaries for CPAs in government ($111,200) were 14% lower than those in the not-for-profit sector ($129,900) and, most importantly, 26% lower than those at professional service CPA firms ($150,400), which are our primary competition for professional accountants. The salaries of our highest-paid staff in the 2012 calendar year are disclosed in Note 7 to our financial statements.

PROFESSIONAL AND OTHER SERVICES

These services include both contract professionals and contract CPA firms, and represent our next most significant spending area, at almost 11% of total expenditures. These costs were slightly less than last year, but we continue to use contract staff to cover for parental and unexpected leaves, and to help us manage peak workloads during the summer months. An increase in contract professional help this year was offset by our one-time investment the previous year in a contract to review our IT infrastructure and security arrangements.

We continue to have to rely on contract professionals to meet our legislated responsibilities given more complex work and tight deadlines for finalizing the financial-statement audits of Crown agencies and the province. We also believe that using more contract staff to fill temporary needs, such as parental leaves, is a prudent approach to staffing, particularly during uncertain economic times, in that it provides more flexibility and less disruption if in-year cuts to our budget are requested. Also, even during the economic downturn, it has remained difficult for us to reach our approved full complement, given our uncompetitive salary levels, particularly for professionals with several years of post-qualifying experience. Further, after four years of budget freezes, we can no longer afford to move up to our approved complement of 117 staff.

Contract costs for CPA firms we work with remain higher because of the higher salaries they pay their staff and the additional hours required to implement ongoing changes to accounting and assurance standards. We continue to test the market for such services as contracts expire, and we have achieved savings in some cases.

RENT

Our costs for accommodation were again slightly less than the previous year, owing primarily to a decline in building operating costs, particularly utilities. Accommodation costs declined as a percentage of total spending and should remain stable or decline further under the terms of the lease renewal completed in the fall of 2011.

TRAVEL AND COMMUNICATIONS

Our travel and communications costs increased less than 2% after a decline of over 10% the previous year. In general, we are incurring significantly more travel costs since the expansion of our mandate to audit broader-public-sector organizations. However, these will vary each year depending on the audits selected. This year, the value-for-money audits we carried out generally required more travel relative to last year. However, we were able to offset some of the increase in travel costs by reducing our communications costs through a change in service providers, and by implementing cost-saving opportunities identified by the IT infrastructure and security review conducted last year.

OTHER

Other costs include asset amortization, supplies and equipment maintenance, training, and statutory expenses. Such costs were 16.5% lower than last year, primarily because we required far less expertise from contract specialists this year. In the 2011/12 fiscal year, we required contract expertise to complete our statutory review of the 2011 Pre-Election Report, which we reported on in June 2011. Our costs for asset amortization, supplies and equipment maintenance, training, and statutory expenses for administering the *Government Advertising Act* were also slightly less than the previous year as we continued to carefully manage our costs.

FINANCIAL STATEMENTS

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General are the responsibility of management of the Office. Management has prepared the financial statements to comply with the *Auditor General Act* and with Canadian public sector accounting principles.

Management maintains a system of internal controls that provides reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded, appropriations are not exceeded, and the financial information contained in these financial statements is reliable and accurate.

The financial statements have been audited by the firm of Adams & Miles LLP, Chartered Accountants. Their report to the Board of Internal Economy, stating the scope of their examination and opinion on the financial statements, appears on the following page.

Peall

Gary R. Peall, CPA, CA, LPA
Acting Auditor General
August 17, 2013

Susan Klein, CPA, CA, LPA
Acting Deputy Auditor General
August 17, 2013

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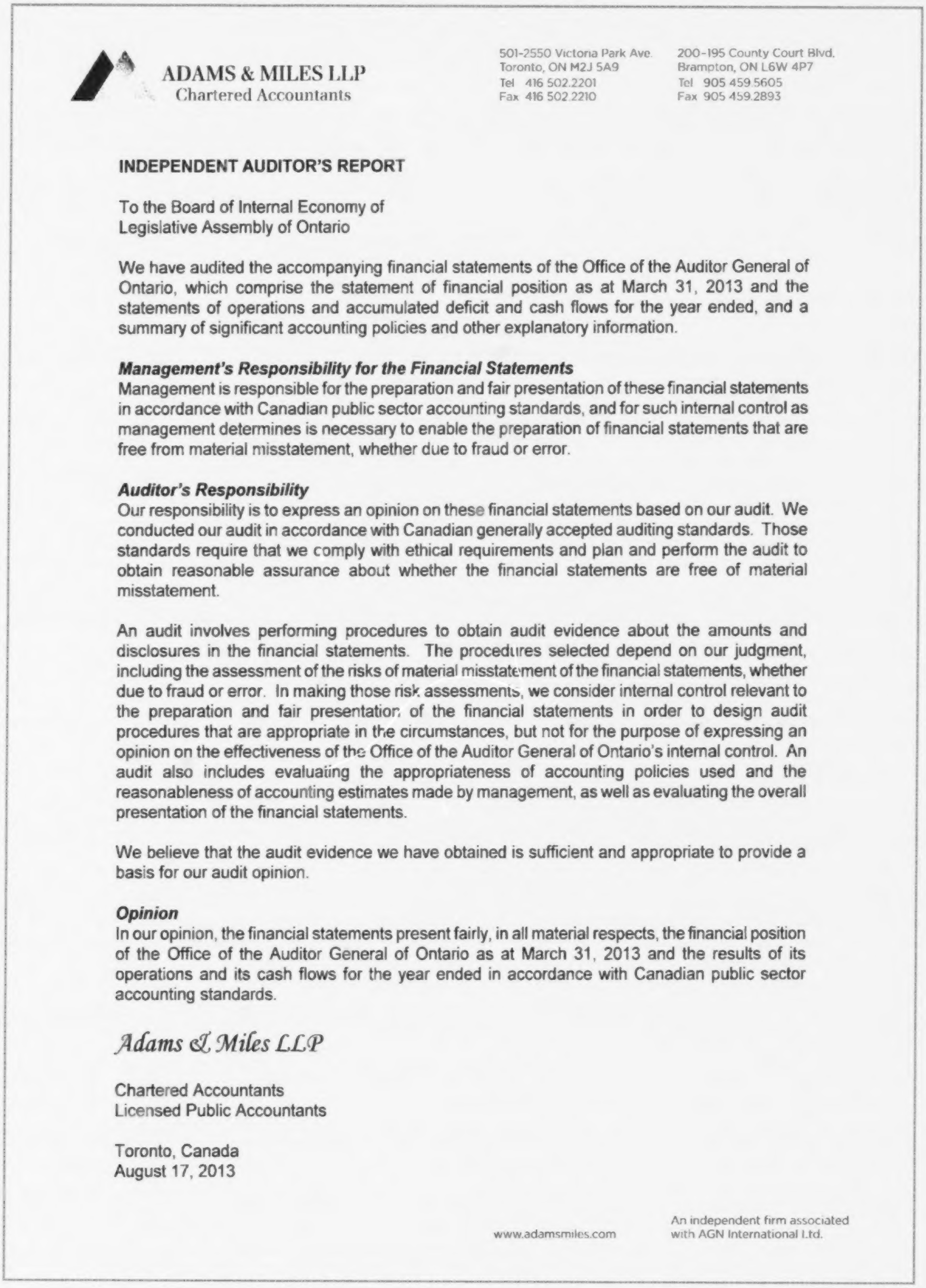

ADAMS & MILES LLP
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INDEPENDENT AUDITOR'S REPORT

To the Board of Internal Economy of
Legislative Assembly of Ontario

We have audited the accompanying financial statements of the Office of the Auditor General of Ontario, which comprise the statement of financial position as at March 31, 2013 and the statements of operations and accumulated deficit and cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office of the Auditor General of Ontario's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Ontario as at March 31, 2013 and the results of its operations and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Adams & Miles LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
August 17, 2013

Office of the Auditor General of Ontario

Statement of Financial Position
As at March 31, 2013

	2013 $	2012 $
Financial assets		
Cash	411,965	290,695
Harmonized sales taxes recoverable	111,688	122,604
Due from Consolidated Revenue Fund	178,145	237,316
Lease inducement receivable (Note 10)	322,225	322,225
	1,024,023	972,840
Liabilities		
Accounts payable and accrued liabilities (Note 4)	1,622,827	1,647,041
Accrued employee benefits obligation [Note 5(B)]	2,404,000	2,172,000
Deferred lease inducement (Note 10)	276,576	308,799
	4,303,403	4,127,840
Net financial debt	(3,279,380)	(3,155,000)
Non-financial assets		
Tangible capital assets (Note 3)	596,115	593,979
Accumulated deficit	(2,683,265)	(2,561,021)

Commitments (Note 6)
Measurement uncertainty [Note 2(F)]

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:

Peall

Gary R. Peall, CPA, CA, LPA
Acting Auditor General

Susan Klein, CPA, CA, LPA
Acting Deputy Auditor General

Office of the Auditor General of Ontario

Statement of Operations and Accumulated Deficit
For the Year Ended March 31, 2013

	2013 Budget (Note 11) $	2013 Actual $	2012 Actual $
Expenses			
Salaries and wages	9,755,400	9,286,283	8,953,561
Employee benefits (Note 5)	2,041,200	2,103,948	2,085,050
Professional and other services	1,714,500	1,642,632	1,666,589
Office rent	1,062,400	989,446	1,016,280
Amortization of capital assets	—	316,462	324,489
Travel and communication	418,800	308,567	303,072
Training and development	378,600	150,417	165,152
Supplies and equipment	377,500	196,550	208,311
Transfer payment: CCAF-FCVI Inc.	73,000	72,989	72,989
Statutory expenses: *Auditor General Act*	242,700	245,732	246,575
Government Advertising Act	30,000	8,625	10,942
Statutory services	130,000	24,578	187,582
Total expenses (Notes 8 and 9)	16,224,100	15,346,229	15,240,592
Revenue			
Consolidated Revenue Fund – Voted appropriations [Note 2(B)]	16,224,100	16,224,100	16,224,100
Excess of appropriation over expenses		877,871	983,508
Less: returned to the Province [Note 2(B)]		1,000,115	997,433
Net operations deficiency		(122,244)	(13,925)
Accumulated deficit, beginning of year		(2,561,021)	(2,547,096)
Accumulated deficit, end of year		(2,683,265)	(2,561,021)

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Statement of Cash Flows
For the Year Ended March 31, 2013

	2013 $	2012 $
Operating transactions		
Net operations deficiency	(122,244)	(13,925)
Amortization of capital assets	316,462	324,489
Accrued employee benefits expense	181,000	184,000
	375,218	494,564
Changes in non-cash working capital		
Decrease in harmonized sales taxes recoverable	10,916	6,323
Decrease (increase) in due from Consolidated Revenue Fund	59,171	(188,122)
Increase in lease inducement receivable	—	(322,225)
Increase (decrease) in accounts payable and accrued liabilities	26,786	(92,250)
Increase (decrease) in deferred lease inducement	(32,223)	308,799
	64,650	(287,475)
Cash provided by operating transactions	439,868	207,089
Capital transactions		
Purchase of tangible capital assets	(318,598)	(416,564)
Increase (decrease) in cash	121,270	(209,475)
Cash, beginning of year	290,695	500,170
Cash, end of year	411,965	290,695

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2013

1. Nature of Operations

In accordance with the provisions of the *Auditor General Act* and various other statutes and authorities, the Auditor General, through the Office of the Auditor General of Ontario (the Office), conducts independent audits of government programs, of institutions in the broader public sector that receive government grants, and of the fairness of the financial statements of the Province and numerous agencies of the Crown. In doing so, the Office promotes accountability and value-for-money in government operations and in broader public sector organizations.

Additionally, under the *Government Advertising Act, 2004*, the Office is required to review specified types of advertising, printed matter or reviewable messages proposed by government offices to determine whether they meet the standards required by the Act.

Under both Acts, the Auditor General reports directly to the Legislative Assembly.

As required by the *Fiscal Transparency and Accountability Act, 2004*, in an election year the Office is also required to report on the reasonableness of a Pre-Election Report prepared by the Ministry of Finance.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards. The significant accounting policies are as follows:

(A) ACCRUAL BASIS

These financial statements are accounted for on an accrual basis whereby expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

(B) VOTED APPROPRIATIONS

The Office is funded through annual voted appropriations from the Province of Ontario. Unspent appropriations are returned to the Province's Consolidated Revenue Fund each year. As the voted appropriation is prepared on a modified cash basis, an excess or deficiency of revenue over expenses arises from the application of accrual accounting, including the capitalization and amortization of tangible capital assets, the deferral and amortization of the lease inducement and the recognition of employee benefits expenses earned to date but that will be funded from future appropriations.

The voted appropriation for statutory expenses is intended to cover the salary of the Auditor General as well as the costs of any expert advice or assistance required to help the Office meet its responsibilities under the *Government Advertising Act* and the *Fiscal Transparency and Accountability Act*, or to conduct special assignments under Section 17 of the *Auditor General Act*.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2013

2. Summary of Significant Accounting Policies (Continued)

(C) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at historical cost less accumulated amortization. Amortization of tangible capital assets is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	5 years
Leasehold improvements	The remaining term of the lease

(D) FINANCIAL INSTRUMENTS

The Office's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Due from Consolidated Revenue Fund is recorded at cost.
- Accounts payable and accrued liabilities are recorded at cost.
- Accrued employee benefits obligation is recorded at cost based on the entitlements earned by employees up to March 31, 2013. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made as it is not expected that there would be a significant difference from the recorded amount.

It is management's opinion that the Office is not exposed to any interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

(E) DEFERRED LEASE INDUCEMENT

The deferred lease inducement is being amortized as a reduction of rent expense on a straight-line basis over the 10-year lease period that commenced November 1, 2011.

(F) MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Items requiring the use of significant estimates include: useful life of capital assets and accrued employee benefits obligation.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2013

3. Tangible Capital Assets

	Computer hardware $	Computer software $	Furniture and fixtures $	Leasehold improvements $	2013 Total $
Cost					
Balance, beginning of year	687,370	352,985	211,914	349,823	1,602,092
Additions	165,520	98,564	5,128	49,386	318,598
Disposals	(174,113)	(55,442)	(71,017)	(235,868)	(536,440)
Balance, end of year	678,777	396,107	146,025	163,341	1,384,250
Accumulated amortization					
Balance, beginning of year	403,848	210,495	152,204	241,566	1,008,113
Amortization	171,482	104,288	26,552	14,140	316,462
Disposals	(174,113)	(55,442)	(71,017)	(235,868)	(536,440)
Balance, end of year	401,217	259,341	107,739	19,838	788,135
Net Book Value, March 31, 2013	277,560	136,766	38,286	143,503	596,115

	Computer hardware $	Computer software $	Furniture and fixtures $	Leasehold improvements $	2012 Total $
Cost					
Balance, beginning of year	597,134	340,833	378,491	235,868	1,552,325
Additions	243,826	49,072	9,711	113,955	416,564
Disposals	(153,590)	(36,919)	(176,288)	—	(366,797)
Balance, end of year	687,370	352,985	211,914	349,823	1,602,092
Accumulated amortization					
Balance, beginning of year	397,966	147,169	294,185	211,101	1,050,421
Amortization	159,472	100,245	34,307	30,465	324,489
Disposals	(153,590)	(36,919)	(176,288)	—	(366,797)
Balance, end of year	403,848	210,495	152,204	241,566	1,008,113
Net Book Value, March 31, 2012	283,522	142,490	59,710	108,257	593,979

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2013

4. Accounts Payable and Accrued Liabilities

	2013 $	2012 $
Accounts payable	270,967	254,757
Accrued salaries and benefits	419,860	409,284
Accrued severance, vacation and other credits	932,000	983,000
	1,622,827	1,647,041

Accounts payable relates largely to normal business transactions with third-party vendors and is subject to standard commercial terms. Accruals for salaries and benefits and severance, vacation and other credits are recorded based on employment arrangements and legislated entitlements.

5. Obligation for Employee Future Benefits

Although the Office's employees are not members of the Ontario Public Service, under provisions in the *Auditor General Act*, the Office's employees are entitled to the same benefits as Ontario Public Service employees. The future liability for benefits earned by the Office's employees is included in the estimated liability for all provincial employees that have earned these benefits and is recognized in the Province's consolidated financial statements. In the Office's financial statements, these benefits are accounted for as follows:

(A) PENSION BENEFITS

The Office's employees participate in the Public Service Pension Fund (PSPF) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Office's annual payments to the fund. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Office. The Office's required annual payment of $754,442 (2012 - $719,119), is included in employee benefits expense in the Statement of Operations and Accumulated Deficit.

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION

The costs of legislated severance, compensated absences and unused vacation entitlements earned by employees during the year amounted to $261,000 (2012 – $274,000) and are included in employee benefits in the Statement of Operations and Accumulated Deficit. The total liability for these costs is reflected in the accrued employee benefits obligation, less any amounts payable within one year, which are included in accounts payable and accrued liabilities, as follows:

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2013

5. Obligation for Future Employee Benefits (Continued)

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION

	2013 $	2012 $
Total liability for severance, vacation and MCO credits	3,336,000	3,155,000
Less: Due within one year and included in accounts payable and accrued liabilities	932,000	983,000
Accrued employee benefits obligation	2,404,000	2,172,000

(C) OTHER NON-PENSION POST-EMPLOYMENT BENEFITS

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

6. Commitments

The Office has an operating lease to rent premises which expires on October 31, 2021. The minimum rental commitment for the remaining term of the lease is as follows:

	$
2013–14	488,400
2014–15	495,900
2015–16	501,300
2016–17	508,800
2017–18	514,200
2018–19 and beyond	1,897,800

The Office is also committed to pay its proportionate share of realty taxes and operating expenses for the premises amounting to approximately $506,000 during 2013.

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2013

7. Public Sector Salary Disclosure Act, 1996

Section 3(5) of this Act requires disclosure of the salary and benefits paid to all Ontario public-sector employees earning an annual salary in excess of $100,000. This disclosure for the 2012 calendar year is as follows:

Name	Position	Salary $	Taxable Benefits $
McCarter, Jim	Auditor General	245,732	3,865
Peall, Gary	Deputy Auditor General	189,866	239
Bell, Laura	Director	127,818	174
Bordne, Walter	Director	139,934	187
Chagani, Gus	Director	127,818	174
Chiu, Rudolph	Director	142,913	187
Fitzmaurice, Gerard	Director	139,934	187
Gotsis, Vanna	Director	121,834	164
Klein, Susan	Director	142,913	187
Mazzone, Vince	Director	139,934	187
McDowell, John	Director	139,934	187
Pelow, William	Director	121,834	164
Allan, Walter	Audit Manager	110,263	152
Carello, Teresa	Audit Manager	113,214	152
Chan, Sandy	Audit Manager	113,214	152
Cho, Kim	Audit Manager	110,711	149
Cumbo, Wendy	Audit Manager	113,214	152
Herberg, Naomi	Audit Manager	113,214	152
MacNeil, Richard	Audit Manager	113,214	152
Rogers, Fraser	Audit Manager	113,214	152
Stavropoulos, Nick	Audit Manager	113,214	152
Tsikritsis, Emanuel	Audit Manager	113,214	152
Yip, Gigi	Audit Manager	112,821	151
Young, Denise	Audit Manager	113,214	152
Wiebe, Annemarie	Manager, Human Resources	115,624	152
Boer, Johan	Audit Supervisor	103,656	143
Bove, Tino	Audit Supervisor	102,148	143
Gupta, Tanmay	Audit Supervisor	100,211	142
Tepelenas, Ellen	Audit Supervisor	105,660	143
Wanchuk, Brian	Audit Supervisor	103,656	143

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2013

8. Reconciliation to Public Accounts Volume 1 Basis of Presentation

The Office's Statement of Expenses presented in Volume 1 of the Public Accounts of Ontario was prepared on a basis consistent with the accounting policies followed for the preparation of the Estimates submitted for approval to the Board of Internal Economy, under which purchases of computers and software are expensed in the year of acquisition rather than being capitalized and amortized over their useful lives. Volume 1 also excludes the accrued obligation for employee future benefits and deferred lease inducement recognized in these financial statements. A reconciliation of total expenses reported in Volume 1 to the total expenses reported in these financial statements is as follows:

	2013 $	2012 $
Total expenses per Public Accounts Volume 1	15,199,588	15,240,093
purchase of capital assets	(318,598)	(416,564)
amortization of capital assets	316,462	324,489
change in accrued future employee benefit costs	181,000	106,000
amortization of deferred lease inducement	(32,223)	(13,426)
	146,641	499
Total expenses per the Statement of Operations and Accumulated Deficit	15,346,229	15,240,592

Office of the Auditor General of Ontario

Notes to Financial Statements
For the Year Ended March 31, 2013

9. Expenses by Activity

	2013				
	Salaries and Benefits	Other Operating Expenses	Statutory Expenses	Total	%
Value for money and special audits	7,699,796	2,044,794	227,785	9,972,375	65.0
Financial Statement audits	3,565,142	1,604,031	30,238	5,199,411	33.9
Government Advertising	125,293	28,238	20,912	174,443	1.1
	11,390,231	3,677,063	278,935	15,346,229	100.0
%	74.2	24.0	1.8	100.0	

	2012				
	Salaries and Benefits	Other Operating Expenses	Statutory Expenses	Total	%
Value for money and special audits	7,417,946	2,233,192	265,415	9,916,553	65.1
Financial Statement audits	3,355,738	1,445,314	24,657	4,825,709	31.7
Pre Election Report	143,502	46,781	131,756	322,039	2.1
Government Advertising	121,425	31,595	23,271	176,291	1.1
	11,038,611	3,756,882	445,099	15,240,592	100.0
%	72.4	24.7	2.9	100.0	

Expenses have been allocated to the Office's three (2012 – four) main activities based primarily on the hours charged to each activity as recorded by staff in the Office's time accounting system, including administrative time and overhead costs that could not otherwise be identified with a specific activity. Expenses incurred for only one activity, such as most travel costs and professional services, are allocated to that activity based on actual billings.

10. Deferred Lease Inducement and Receivable

As part of the lease arrangements for its office premises, the Office negotiated a lease inducement of $322,225 to be applied to future accommodation costs. This deferred lease inducement is being amortized as a reduction of rent expense on a straight-line basis over the 10-year lease period that commenced November 1, 2011.

11. Budgeted Figures

Budgeted figures were approved by the Board of Internal Economy and were prepared on a modified cash basis of accounting for presentation in Volume 1 of the Public Accounts of Ontario. This differs from Public Sector Accounting Standards, as discussed in Note 8. They are presented for information purposes only and have not been audited.

Exhibit 1

Agencies of the Crown

1. Agencies whose accounts are audited by the Auditor General

Agricorp
Algonquin Forestry Authority
Cancer Care Ontario
Centennial Centre of Science and Technology
Chief Electoral Officer, *Election Finances Act*
Election Fees and Expenses, *Election Act*
Financial Services Commission of Ontario
Grain Financial Protection Board, Funds for Producers of Grain Corn, Soybeans, Wheat and Canola
Investor Education Fund, Ontario Securities Commission
Legal Aid Ontario
Liquor Control Board of Ontario
Livestock Financial Protection Board, Fund for Livestock Producers
Northern Ontario Heritage Fund Corporation
Office of the Assembly
Office of the Children's Lawyer
Office of the Environmental Commissioner
Office of the Information and Privacy Commissioner
Office of the Ombudsman
Ontario Clean Water Agency (December 31)*
Ontario Development Corporation
Ontario Educational Communications Authority
Ontario Electricity Financial Corporation
Ontario Energy Board
Ontario Financing Authority
Ontario Food Terminal Board
Ontario Heritage Trust
Ontario Immigrant Investor Corporation
Ontario Media Development Corporation
Ontario Mortgage and Housing Corporation
Ontario Northland Transportation Commission
Ontario Place Corporation (December 31)*
Ontario Racing Commission
Ontario Securities Commission
Pension Benefits Guarantee Fund, Financial Services Commission of Ontario
Province of Ontario Council for the Arts
Provincial Advocate for Children and Youth
Provincial Judges Pension Fund, Provincial Judges Pension Board
Public Guardian and Trustee for the Province of Ontario

2. Agencies whose accounts are audited by another auditor under the direction of the Auditor General

Motor Vehicle Accident Claims Fund
Niagara Parks Commission (October 31)*
St. Lawrence Parks Commission
Workplace Safety and Insurance Board (December 31)*

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* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

Exhibit 2

Crown-controlled Corporations

Corporations whose accounts are audited by an auditor other than the Auditor General, with full access by the Auditor General to audit reports, working papers and other related documents as required

Agricultural Research Institute of Ontario
Board of Funeral Services
Central East Local Health Integration Network
Central Local Health Integration Network
Central West Local Health Integration Network
Champlain Local Health Integration Network
Deposit Insurance Corporation of Ontario (December 31) [1]
Education Quality and Accountability Office
eHealth Ontario
Erie St. Clair Local Health Integration Network
Hamilton Niagara Haldimand Brant Local Health Integration Network
HealthForceOntario Marketing and Recruitment Agency
Higher Education Quality Council of Ontario
Human Rights Legal Support Centre
Hydro One Inc. (December 31) [1]
Independent Electricity System Operator (December 31) [1]
McMichael Canadian Art Collection
Metrolinx
Metropolitan Toronto Convention Centre Corporation
Mississauga Halton Local Health Integration Network
Municipal Property Assessment Corporation
North East Local Health Integration Network
North Simcoe Muskoka Local Health Integration Network
North West Local Health Integration Network
Ontario Capital Growth Corporation
Ontario French-language Educational Communications Authority
Ontario Health Quality Council
Ontario Infrastructure and Lands Corporation
Ontario Lottery and Gaming Corporation
Ontario Pension Board (December 31) [1]
Ontario Power Authority (December 31) [1]
Ontario Power Generation Inc. (December 31) [1]
Ontario Tourism Marketing Partnership Corporation
Ontario Trillium Foundation
Ottawa Convention Centre Corporation
Owen Sound Transportation Company Limited
Public Health Ontario [2]
Royal Ontario Museum
Science North
South East Local Health Integration Network
South West Local Health Integration Network
Toronto Central Local Health Integration Network
Toronto Islands Residential Community Trust Corporation

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1. Dates in parentheses indicate fiscal periods ending on a date other than March 31.

2. Effective June 14, 2011, the Ontario Agency for Health Protection and Promotion changed its name to Public Health Ontario.

Toronto Waterfront Revitalization Corporation
Trillium Gift of Life Network
Walkerton Clean Water Centre
Waterloo Wellington Local Health Integration Network

Note:

The following changes were made during the 2012/13 fiscal year:

Deletions:

Brock University Foundation
Echo: Improving Women's Health in Ontario
Foundation at Queen's University at Kingston
McMaster University Foundation
Trent University Foundation
University of Ottawa Foundation
Waterfront Regeneration Trust Agency

Exhibit 3

Organizations in the Broader Public Sector

Broader-public-sector organizations whose accounts are audited by an auditor other than the Auditor General, with full access by the Auditor General to audit reports, working papers and other related documents as required*

PUBLIC HOSPITALS (MINISTRY OF HEALTH AND LONG-TERM CARE)

Alexandra Hospital Ingersoll
Alexandra Marine & General Hospital
Almonte General Hospital
Anson General Hospital
Arnprior and District Memorial Hospital
Atikokan General Hospital
Baycrest Centre for Geriatric Care
Bingham Memorial Hospital
Blind River District Health Centre
Bluewater Health
Brant Community Healthcare System
Bridgepoint Hospital
Brockville General Hospital
Bruyère Continuing Care Inc.
Cambridge Memorial Hospital
Campbellford Memorial Hospital
Carleton Place and District Memorial Hospital
Casey House Hospice
Chatham-Kent Health Alliance
Children's Hospital of Eastern Ontario
Clinton Public Hospital
Collingwood General and Marine Hospital
Cornwall Community Hospital
Deep River and District Hospital Corporation
Dryden Regional Health Centre
Englehart and District Hospital Inc.
Espanola General Hospital
Four Counties Health Services
Georgian Bay General Hospital
Geraldton District Hospital
Grand River Hospital
Grey Bruce Health Services
Groves Memorial Community Hospital
Guelph General Hospital
Haldimand War Memorial Hospital
Haliburton Highlands Health Services Corporation
Halton Healthcare Services Corporation
Hamilton Health Sciences Corporation
Hanover & District Hospital
Headwaters Health Care Centre
Health Sciences North
Holland Bloorview Kids Rehabilitation Hospital
Hôpital Général de Hawkesbury and District General Hospital Inc.
Hôpital Glengarry Memorial Hospital
Hôpital Montfort
Hôpital Notre Dame Hospital (Hearst)
Hornepayne Community Hospital
Hospital for Sick Children
Hôtel-Dieu Grace Hospital
Hôtel-Dieu Hospital, Cornwall
Humber River Regional Hospital
Joseph Brant Hospital
Kemptville District Hospital
Kingston General Hospital
Kirkland and District Hospital
Lady Dunn Health Centre
Lady Minto Hospital at Cochrane

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* This exhibit only includes the more financially significant organizations in the broader public sector.

Exhibit 3

Lake of the Woods District Hospital
Lakeridge Health
Leamington District Memorial Hospital
Lennox and Addington County General Hospital
Listowel Memorial Hospital
London Health Sciences Centre
Mackenzie Health
Manitoulin Health Centre
Manitouwadge General Hospital
Markham Stouffville Hospital
Mattawa General Hospital
McCausland Hospital
Mount Sinai Hospital
Muskoka Algonquin Healthcare
Niagara Health System
Nipigon District Memorial Hospital
Norfolk General Hospital
North Bay Regional Health Centre
North Wellington Health Care Corporation
North York General Hospital
Northumberland Hills Hospital
Orillia Soldiers' Memorial Hospital
Ottawa Hospital
Pembroke Regional Hospital Inc.
Perth and Smiths Falls District Hospital
Peterborough Regional Health Centre
Providence Care Centre (Kingston)
Providence Healthcare
Queensway-Carleton Hospital
Quinte Healthcare Corporation
Red Lake Margaret Cochenour Memorial Hospital Corporation
Religious Hospitallers of St. Joseph of the Hôtel Dieu of Kingston
Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines
Renfrew Victoria Hospital
Riverside Health Care Facilities Inc.
Ross Memorial Hospital
Rouge Valley Health System
Royal Victoria Regional Health Centre
Runnymede Healthcare Centre
Salvation Army Toronto Grace Hospital
Sault Area Hospital
Scarborough Hospital
Seaforth Community Hospital
Sensenbrenner Hospital
Services de santé de Chapleau Health Services
Sioux Lookout Meno-Ya-Win Health Centre
Smooth Rock Falls Hospital
South Bruce Grey Health Centre
South Huron Hospital Association
Southlake Regional Health Centre
St. Francis Memorial Hospital
St. Joseph's Care Group
St. Joseph's Continuing Care Centre of Sudbury
St. Joseph's General Hospital, Elliot Lake
St. Joseph's Health Care, London
St. Joseph's Health Centre (Guelph)
St. Joseph's Health Centre (Toronto)
St. Joseph's Healthcare Hamilton
St. Mary's General Hospital
St. Mary's Memorial Hospital
St. Michael's Hospital
St. Thomas - Elgin General Hospital
Stevenson Memorial Hospital
Stratford General Hospital
Strathroy Middlesex General Hospital
Sunnybrook Health Sciences Centre
Temiskaming Hospital
Thunder Bay Regional Health Sciences Centre
Tillsonburg District Memorial Hospital
Timmins and District Hospital
Toronto East General Hospital
Trillium Health Partners
University Health Network
University of Ottawa Heart Institute
Weeneebayko Area Health Authority
West Haldimand General Hospital
West Lincoln Memorial Hospital
West Nipissing General Hospital
West Park Healthcare Centre
West Parry Sound Health Centre
William Osler Health System
Wilson Memorial General Hospital
Winchester District Memorial Hospital
Windsor Regional Hospital
Wingham and District Hospital
Women's College Hospital
Woodstock General Hospital Trust

SPECIALTY PSYCHIATRIC HOSPITALS (MINISTRY OF HEALTH AND LONG-TERM CARE)

Centre for Addiction and Mental Health
Ontario Shores Centre for Mental Health Sciences
Royal Ottawa Health Care Group
Waypoint Centre for Mental Health Care

COMMUNITY CARE ACCESS CENTRES (MINISTRY OF HEALTH AND LONG-TERM CARE)

Central Community Care Access Centre
Central East Community Care Access Centre
Central West Community Care Access Centre
Champlain Community Care Access Centre
Erie St. Clair Community Care Access Centre
Hamilton Niagara Haldimand Brant Community Care Access Centre
Mississauga Halton Community Care Access Centre
North East Community Care Access Centre
North Simcoe Muskoka Community Care Access Centre
North West Community Care Access Centre
South East Community Care Access Centre
South West Community Care Access Centre
Toronto Central Community Care Access Centre
Waterloo Wellington Community Care Access Centre

SCHOOL BOARDS (MINISTRY OF EDUCATION)

Algoma District School Board
Algonquin and Lakeshore Catholic District School Board
Avon Maitland District School Board
Bloorview MacMillan School Authority
Bluewater District School Board
Brant Haldimand Norfolk Catholic District School Board
Bruce-Grey Catholic District School Board
Campbell Children's School Authority
Catholic District School Board of Eastern Ontario
Conseil des écoles publiques de l'Est de l'Ontario
Conseil scolaire de district catholique Centre-Sud
Conseil scolaire de district catholique de l'Est ontarien
Conseil scolaire de district catholique des Aurores boréales
Conseil scolaire de district catholique des Grandes Rivières
Conseil scolaire de district catholique du Centre-Est de l'Ontario
Conseil scolaire de district catholique du Nouvel-Ontario
Conseil scolaire de district catholique Franco-Nord
Conseil scolaire de district des écoles catholiques du Sud-Ouest
Conseil scolaire de district du Grand Nord de l'Ontario
Conseil scolaire de district du Nord-Est de l'Ontario
Conseil scolaire Viamonde
District School Board of Niagara
District School Board Ontario North East
Dufferin-Peel Catholic District School Board
Durham Catholic District School Board
Durham District School Board
Grand Erie District School Board
Greater Essex County District School Board
Halton Catholic District School Board
Halton District School Board
Hamilton-Wentworth Catholic District School Board
Hamilton-Wentworth District School Board
Hastings and Prince Edward District School Board
Huron-Perth Catholic District School Board
Huron-Superior Catholic District School Board
James Bay Lowlands Secondary School Board
John McGivney Children's Centre School Authority
Kawartha Pine Ridge District School Board
Keewatin-Patricia District School Board
Kenora Catholic District School Board
KidsAbility School Authority
Lakehead District School Board
Lambton Kent District School Board
Limestone District School Board
London District Catholic School Board
Moose Factory Island District School Area Board
Moosonee District School Area Board

Near North District School Board
Niagara Catholic District School Board
Niagara Peninsula Children's Centre School Authority
Nipissing-Parry Sound Catholic District School Board
Northeastern Catholic District School Board
Northwest Catholic District School Board
Ottawa Catholic District School Board
Ottawa Children's Treatment Centre School Authority
Ottawa-Carleton District School Board
Peel District School Board
Penetanguishene Protestant Separate School Board
Peterborough Victoria Northumberland and Clarington Catholic District School Board
Rainbow District School Board
Rainy River District School Board
Renfrew County Catholic District School Board
Renfrew County District School Board
Simcoe County District School Board
Simcoe Muskoka Catholic District School Board
St. Clair Catholic District School Board
Sudbury Catholic District School Board
Superior North Catholic District School Board
Superior-Greenstone District School Board
Thames Valley District School Board
Thunder Bay Catholic District School Board
Toronto Catholic District School Board
Toronto District School Board
Trillium Lakelands District School Board
Upper Canada District School Board
Upper Grand District School Board
Waterloo Catholic District School Board
Waterloo Region District School Board
Wellington Catholic District School Board
Windsor-Essex Catholic District School Board
York Catholic District School Board
York Region District School Board

COLLEGES (MINISTRY OF TRAINING, COLLEGES AND UNIVERSITIES)

Algonquin College of Applied Arts and Technology
Cambrian College of Applied Arts and Technology
Canadore College of Applied Arts and Technology
Centennial College of Applied Arts and Technology
Collège Boréal d'arts appliqués et de technologie
Collège d'arts appliqués et de technologie La Cité collégiale
Conestoga College Institute of Technology and Advanced Learning
Confederation College of Applied Arts and Technology
Durham College of Applied Arts and Technology
Fanshawe College of Applied Arts and Technology
George Brown College of Applied Arts and Technology
Georgian College of Applied Arts and Technology
Humber College Institute of Technology and Advanced Learning
Lambton College of Applied Arts and Technology
Loyalist College of Applied Arts and Technology
Mohawk College of Applied Arts and Technology
Niagara College of Applied Arts and Technology
Northern College of Applied Arts and Technology
Sault College of Applied Arts and Technology
Seneca College of Applied Arts and Technology
Sheridan College Institute of Technology and Advanced Learning
Sir Sandford Fleming College of Applied Arts and Technology
St. Clair College of Applied Arts and Technology
St. Lawrence College of Applied Arts and Technology

Exhibit 4

Treasury Board Orders

Under subsection 12(2)(e) of the *Auditor General Act*, the Auditor General is required to annually report all orders of the Treasury Board made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized and the amount expended. These are outlined in the following table. Although ministries may track expenditures related to these orders in more detail by creating accounts at the sub-vote and item level, this schedule summarizes such expenditures at the vote and item level.

Ministry	Date of Order	Authorized ($)	Expended ($)
Aboriginal Affairs	Jan 10, 2013	35,000	–
	Mar 14, 2013	1,110,000	383,261
	Apr 16, 2013	108,100	56,153
	Apr 16, 2013	280,000	–
		1,533,100	**439,414**
Agriculture, Food and Rural Affairs	Apr 19, 2012	36,863,600	–
	Nov 19, 2012	8,250,000	–
	Dec 6, 2012	1,000,000	–
	Feb 26, 2013	21,000,000	–
	Feb 26, 2013	4,000,000	–
	Mar 18, 2013	32,700,000	23,022,002
	Mar 19, 2013	500,000	–
	Mar 19, 2013	650,000	–
		104,963,600	**23,022,002**
Attorney General	Nov 19, 2012	7,901,000	6,887,789
	Mar 21, 2013	6,585,400	4,220,030
	Apr 16, 2013	13,091,600	12,994,525
		27,578,000	**24,102,344**
Cabinet Office	Apr 19, 2012	**540,000**	**–**
Children and Youth Services	Jun 14, 2012	42,780,900	32,603,919
	Aug 20, 2012	2,422,500	2,360,000
	Sep 10, 2012	500,000	–
	Jan 10, 2013	10,000,000	7,452,569
	Mar 19, 2013	6,800,000	–
		62,503,400	**42,416,488**

Exhibit 4

Ministry	Date of Order	Authorized ($)	Expended ($)
Citizenship and Immigration	Aug 15, 2012	5,000,000	5,000,000
	Dec 6, 2012	5,000,000	4,725,193
	Mar 28, 2013	7,606,600	538,123
		17,606,600	**10,263,316**
Community and Social Services	May 17, 2012	19,700,000	–
	Jun 14, 2012	50,297,400	43,884,326
	Sep 13, 2012	2,478,800	2,478,800
	Dec 21, 2012	37,000,000	18,720,335
	Mar 21, 2013	470,000	437,790
	Apr 16, 2013	7,300,000	7,296,000
		117,246,200	**72,817,251**
Community Safety and Correctional Services	Feb 1, 2013	16,332,900	7,511,937
	Apr 16, 2013	2,700,000	–
		19,032,900	**7,511,937**
Economic Development and Innovation	Nov 19, 2012	1,000,000	–
	Dec 13, 2012	15,000,000	15,000,000
	Jan 21, 2013	20,000,000	7,999,000
	Mar 19, 2013	429,500	–
	Mar 19, 2013	12,637,200	–
	Apr 16, 2013	8,000,000	–
		57,066,700	**22,999,000**
Education	Mar 19, 2013	1,780,800	1,780,800
	Mar 19, 2013	307,382,500	117,473,068
	Mar 19, 2013	2,965,200	2,964,200
	Mar 19, 2013	2,790,000	–
	Apr 16, 2013	2,750,000	–
		317,668,500	**122,218,068**
Energy	Dec 13, 2012	40,000,000	31,328,562
	Mar 19, 2013	547,000	–
		40,547,000	**31,328,562**
Environment	Mar 19, 2013	12,911,800	12,911,782
	Mar 19, 2013	77,787,300	77,315,900
		90,699,100	**90,227,682**
Finance	Apr 19, 2012	540,000	–
	Dec 6, 2012	143,168,700	–
	Dec 21, 2012	35,000,000	–
	Jan 17, 2013	3,987,800	993,304
	Mar 19, 2013	8,693,500	2,234,712
	Mar 19, 2013	138,557,500	–
	Mar 19, 2013	715,594,200	–
	Apr 16, 2013	359,000,000	359,000,000
	Jul 15, 2013	22,000,000	22,000,000
		1,426,541,700	**384,228,016**

Ministry	Date of Order	Authorized ($)	Expended ($)
Government Services	Apr 19, 2012	410,300	410,300
	Jun 14, 2012	12,828,000	10,992,800
	Sep 13, 2012	9,881,300	6,091,424
	Sep 13, 2012	95,000	–
	Sep 27, 2012	7,724,900	–
	Dec 6, 2012	1,304,400	1,287,000
	Feb 21, 2013	8,415,500	6,028,489
	Feb 26, 2013	40,000,000	40,000,000
	Apr 9, 2013	5,500,000	2,362,253
		86,159,400	**67,172,266**
Health and Long-Term Care	May 17, 2012	20,000,000	–
	May 17, 2012	300,000	–
	Nov 19, 2012	1,500,000	–
	Jan 14, 2013	11,597,100	10,784,399
	Jan 21, 2013	1,414,443,100	1,319,035,406
	Mar 19, 2013	2,120,500	–
	Mar 19, 2013	31,500,000	–
	Mar 19, 2013	397,450,100	350,289,542
	Apr 16, 2013	1,000,000	–
		1,879,910,800	**1,680,109,347**
Infrastructure	Mar 19, 2013	**7,332,500**	**6,561,046**
Labour	Jun 14, 2012	1,000,000	438,299
	Aug 15, 2012	999,000	–
		1,999,000	**438,299**
Municipal Affairs and Housing	May 17, 2012	58,527,700	58,527,700
	Jun 7, 2012	16,000,000	15,898,000
	Aug 15, 2012	49,767,700	41,988,019
	Nov 29, 2012	3,925,000	3,925,000
	Dec 6, 2012	1,475,000	1,475,000
	Dec 13, 2012	1,000,000	867,157
	Jan 10, 2013	15,000,000	15,000,000
	Mar 19, 2013	6,750,000	2,544,531
		152,445,400	**140,225,407**
Natural Resources	Jun 27, 2012	11,600,000	11,600,000
	Jul 18, 2012	1,000,000	1,000,000
	Jul 18, 2012	72,000,000	72,000,000
	Oct 18, 2012	12,000,000	12,000,000
	Nov 19, 2012	1,476,600	1,027,422
	Mar 19, 2013	8,083,800	3,832,253
		106,160,400	**101,459,675**

Exhibit 4

Ministry	Date of Order	Authorized ($)	Expended ($)
Northern Development and Mines	Jun 27, 2012	5,000,000	2,868,617
	Jul 18, 2012	12,400,000	–
	Dec 6, 2012	3,800,000	–
	Feb 5, 2013	6,010,000	432,267
	Mar 26, 2013	2,700,000	–
	Apr 16, 2013	12,350,000	12,199,785
		42,260,000	**15,500,669**
Office of Francophone Affairs	Jan 10, 2013	**50,000**	**–**
Tourism, Culture and Sport	Aug 20, 2012	2,500,000	2,469,842
	Oct 18, 2012	3,950,000	–
	Nov 19, 2012	500,000	500,000
	Jan 10, 2013	7,500,000	2,000,000
	Mar 19, 2013	1,036,600	–
	Mar 19, 2013	103,873,400	103,873,400
	Mar 19, 2013	1,100,000	–
	Mar 28, 2013	13,410,400	4,857,975
	Jul 15, 2013	247,600,000	247,599,987
		381,470,400	**361,301,204**
Training, Colleges and Universities	May 30, 2012	1,430,000	1,430,000
	Jun 14, 2012	14,370,500	9,344,985
	Jun 14, 2012	2,000,000	1,931,009
	Jun 14, 2012	15,273,600	–
	Jun 14, 2012	5,800,000	–
	Jul 18, 2012	1,750,000	–
	Feb 15, 2013	4,800,000	3,375,345
	Mar 19, 2013	4,701,700	–
	Mar 19, 2013	42,517,400	–
	Mar 19, 2013	730,000	729,000
	Apr 16, 2013	9,000,000	8,501,257
		102,373,200	**25,311,596**
Transportation	Jun 14, 2012	36,612,100	35,212,100
	Jul 13, 2012	250,000	145,246
	Mar 18, 2013	7,000,000	4,299,718
	Mar 19, 2013	612,000	–
		44,474,100	**39,657,064**
Total Treasury Board Orders		**5,088,162,000**	**3,269,310,653**